



Daily Report

China

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Daily Report

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General

Foreign Ministry Holds Weekly News Briefing

Japanese Special Envoy To Visit

OW060816 Beijing XINHUA in English 0800 GMT
6 Apr 88

[Text] Beijing, March 6 (XINHUA)—Masayoshi Ito, chairman of the executive board of the Liberal Democratic Party of Japan, is scheduled to pay a visit to China in mid-April as a special envoy of the prime minister of Japan.

This was announced by a Chinese Foreign Ministry spokesman at a news briefing here this morning.

UN Development Program Helps Economic Reforms

OW052345 Beijing XINHUA in English 1132 GMT
3 Apr 88

[Text] Beijing, April 3 (XINHUA)—A group of Chinese and UN Organizations officials have come to the conclusion that technical cooperation funded by the UN Development Program (UNDP) is proving helpful to China's economic reforms.

At a series of meetings just completed in Beijing, the officials—Chinese directors of 38 technical cooperation projects as well as officials from Chinese ministries and commissions and from UN organizations—made a mid-term assessment of UNDP's 5-year program in China (1986-1990).

The UNDP country program is providing China with 128 million U.S. dollars in grant assistance and more than 150 projects are now being implemented.

Manfred Kulesa, UNDP resident representative in China, said UNDP-funded technical cooperation is intended as a catalyst to address strategic points in China development, adding UNDP especially invests in the training of people and the transfer of technology.

The officials suggested that UNDP increase its support to China's efforts for agricultural development while emphasizing the importance of industry and energy sectors.

UNDP program in China now concentrates on five major themes of the country's development program—human resources development, technical transformation of existing industries, development of advanced technology, improvement of living standards, and application of electronic information technology.

The officials to the meetings concluded that reforms should become the sixth major theme of concentration in the UNDP program in China.

World Bank Delegation Leaves Jilin 5 Apr

SK060458 Changchun Jilin Provincial Service
in Mandarin 2200 GMT 5 Apr 88

[Text] After winding up its investigation on the projects covered by the province's "spark plan," the eight-member World Bank delegation headed by Madam (Keletan) left Changchun by plane on 5 April.

A delegation from the World Bank inspected the province's "spark plan" once in 1987. The delegation maintained that the province has made notable achievements in ensuring the smooth progress of the "spark plan," and said that Jilin was one of the provinces in China that took a lead in asking for loans from the World Bank.

Through preliminary selection by the provincial Scientific and Technological Commission, the provincial Planning and Economic Commission, the provincial Financial Department, the provincial Township Enterprise Bureau, and the provincial Scientific and Technological Cadres' Bureau, 24 projects covered by the provincial "spark plan" will be developed with loans granted by the World Bank, totaling \$25 million. Upon the completion of these projects, the province will accelerate the pace of developing spark industries, enhance the capacity of implementing the "spark plan," upgrade town and township enterprises' technological level, and enhance the enterprises' functions for developing export-oriented economy.

Daily on Investment Trends in East Asia

HK041451 Beijing RENMIN RIBAO in Chinese
26 March 1988 p 7

[Article by Pang Rongqian (1690 2837 6197): "New Trends in International Investment in East Asia"]

[Text] In the global situation of low economic growth and turbulence, the economies of some developing countries and regions in East Asia have maintained the momentum of rapid growth. This has once again attracted the attention of the international community. Of the "four little tigers" in Asia, in 1987 the economic growth rate of Singapore was 8.8 percent and those of Hong Kong, Taiwan, and South Korea ranged from 11 to 12 percent. Of the ASEAN countries, the economy of Thailand grew by 5.6 percent and those of the other countries improved in varying degrees.

In the new year, despite unfavorable factors—such as the economic slowdown, reduced import demand, and intensifying trade protectionism in the Western countries including the United States—generally speaking, East Asia will remain the region whose economies are expanding most rapidly and vigorously in the world. In East Asia's economic development, some trends of international investment call for particular attention.

First, the "four little tigers" in Asia are quickening the pace of their investment overseas, particularly, in the ASEAN nations. At present, Asia's "four little tigers" are all confronted with a task of readjusting their industrial structures and moreover, with the devaluation of the U.S. dollar, the South Korean won and the new Taiwan dollar have been revalued upward by 12 percent and 36 percent respectively against the U.S. dollar. To alleviate the pressures of currency appreciation and wage hikes, while churning out more high-tech products, Asia's "four little tigers" have been shifting those labor-intensive industries which have lost their cost superiority to ASEAN countries and other regions where labor is rather cheap. In the first 8 months of 1987, Taiwan's overseas investment amounted to \$116 million, an increase of over 100 percent over the \$57 million in a 12-month period the previous year. In 1987, South Korea's overseas investment reached \$397 million, a rise of 130 percent from the previous year. The expansion of investment by Asia's "four little tigers" in ASEAN states is to exploit rich local natural resources and cheap labor, thus reducing production costs and making greater profits. Moreover, by exporting the goods they produce in the ASEAN countries to the United States, they can ease quota restrictions and alleviate trade frictions. Especially since the United States announced that it would abolish the "General System of Preferences" toward Asia's "four little tigers," effective from January of next year, the "four little tigers" want all the more to utilize the general preferential treatment enjoyed by the ASEAN nations and sell their products in international markets.

Second, while expanding their investment abroad, Asia's "four little tigers" themselves have absorbed more foreign capital. Because of currency appreciation and wage increases, the strong points of some of their labor-intensive products have been considerably lessened. However, they have a well trained labor force and a highly skilled technical force, fairly advanced infrastructures, and a series of mechanisms for developing an export-oriented economy. These factors are still very attractive to foreign entrepreneurs. It has been reported that Taiwan absorbed \$1.35 billion in foreign investment in 1987. According to one estimate, foreign investment in Taiwan will increase to \$1.5 billion in 1988. Apart from making high-tech products, such as satellite broadcast receivers, Japanese enterprises are also concentrating their investment on service trades and retail businesses. West European firms are focusing their attention on setting up factories in Taiwan to produce electronics and biological manufactured goods. According to South Korean newspapers, in 1987 South Korea attracted \$1.06 billion foreign investment or nearly 200 percent more than the previous year's \$354 million.

Third, Japan's position and role are continuing to intensify in the East Asian region's economic structural changes. Asia's "four little tigers" have been working to develop export processing industries largely by using Japan's funds, technology, raw and semifinished materials, and even its components and spare parts. What

merits attention is that Japan has recently strengthened its economic ties with the ASEAN states. To reduce costs, Japanese enterprises have begun to shift some of their production bases from Asia's "four little tigers" to the ASEAN states. According to Japanese trade statistics, in the first 9 months of 1987, Japan invested \$817 million in the ASEAN states or nearly 300 percent higher than the same period of the previous year. As for Asia's "four little tigers," Japan intends to shift some technology-intensive products to them. Some people in the Japanese economic circles hold: Through Japan's cooperation with Asia's "four little tigers" and its increased investments in the ASEAN nations and China, there will emerge a "new system of industrial division of labor" in the Asian region. It can thus be seen that Japan plays a decisive role in the process of the East Asian region's alterations to its industrial structure. On the part of Asia's "four little tigers" and ASEAN countries, to expand exports and to promote economic development, while continuing to rely heavily on Japanese funds and technology and actively developing Japanese markets, they hope to reduce their reliance on Japan so as to avoid "being Japanized." One of their measures is to strive to increase the percentage of "home-made" raw and semifinished materials and components and spare parts for their machinery products.

Evidently, changes have taken place in the East Asian region's investment situation. This creates new opportunities for the region's developing countries including China. Japan is considering including China as an important target alongside the ASEAN nations in shifting its overseas productions bases. A large-scale survey conducted recently by the Japanese-Chinese Economic Association revealed that Japanese enterprises had an increasingly greater interest in investing in China. Of the enterprises surveyed, 34 percent said they were considering investing in China, or 16 percent more than the number of enterprises which had already invested in China and that China was ranked third in their list of investment targets. Japanese economists maintained: Apart from viewing China as a huge market, Japan has begun to place great stress on China's role as its overseas production base. Asia's "four little tigers" and the ASEAN countries also hope to conduct and expand economic cooperation with us. Hong Kong has shifted some toy and electronics industries to the Chinese mainland and some Taiwan firms have invested on the mainland through indirect channels. We must make good use of the current favorable opportunity, vigorously develop the export-oriented economy of our coastal areas, and actively get involved in the international division of labor so as to accelerate the development of the national economy.

Fourth Antarctica Survey Team Leaves for Home
OW050923 Beijing XINHUA Domestic Service
in Chinese 0847 GMT 28 Mar88

[By reporter Sun Guowei]

[Text] Santiago, 27 Mar (XINHUA) — The summer team of the Fourth Chinese Antarctica Survey Team, led

by Jia Genzheng, deputy head of the office of the National Antarctic Research Committee, has left here for home after having successfully accomplished the missions of scheduled scientific survey.

Leader Jia Genzheng said to the reporter of the XINHUA News Agency in Santiago that this time they had fully taken advantage of the conditions regarding capital construction and scientific survey created by China's three previous survey teams in the Changcheng [Great Wall] station area on King George Island, had spared no efforts in their research and scientific survey, and had achieved comparatively ideal successes.

The fourth survey team is comprised of 40 persons; the eldest among them is 62 years old. In addition to the regular scientific observations of terrestrial magnetism, earthquakes, high-altitude atmospheric physics, ionosphere, and solid tide which had already been conducted, the Chinese scientists focused on surveys of glacier, general configuration of the earth's surface at the rim of a glacier, biology, paleontology fossil, and physiology of the human body.

United States & Canada

XINHUA Roundup on Projected U.S. Trade Bill
OW051116 Beijing XINHUA in English 0830 GMT
4 Apr 88

["Roundup: Conflicts Flare Up Over U.S. Trade Bill" by Liu Zhiguang—XINHUA headline]

[Text] Washington, April 3 (XINHUA) — Sharp conflicts between the White House and Congress flared up again as the massive trade legislation was taking shape in the 17 House-Senate subconferences before the Easter recess.

Congressional conferees worked very hard last week and completed action on the major elements of the 1,000-page comprehensive trade legislation designed to reduce U.S. trade deficit which surged to a record of 172 billion dollars in 1987.

Although many of the provisions unacceptable to the White House were dropped, watered down or made subject to presidential waiver, the Reagan administration still has "grave reservations about several of the provisions," and unless "substantial changes" are made in the trade bill, senior White House advisers will recommend a veto, said the White House spokesman.

Towards the renewed threat of a veto, Senate Democratic leader Robert Byrd launched a counter-attack. "For years, the Reagan administration has left trade policy to the whims of the international market place and our foreign competition," he said in a radio address, adding "the president has done nothing but cry protectionism and wave his veto pen."

Byrd publicly asked Americans to exert pressure on the White House by writing the president in support of the trade bill.

During their negotiations, conferees scrapped several sections condemned by the Reagan administration, notably the most controversial trade retaliation amendment by Representative Richard Gephardt that would have forced a 10 percent annual reduction in the huge trade surplus that other countries run with the United States.

In its place is a modified Senate provision that requires President Reagan to investigate countries that have a "consistent pattern of import barriers and market-distorting practices," and to retaliate if he found the practices had not been ended after 12 months.

The Reagan administration complains about the provision [words indistinct] would reduce presidential flexibility.

According to the White House spokesman, other provisions the White House considered objectionable in the trade bill include:

- Plant closing. Companies with more than 100 workers would be required to give 60 days' notice before shutting their factories.

- The administration and the business community are strongly opposed to this provision, saying such notification would be a warning signal to creditors and customers and would hasten the firm's decline.

- Toshiba sanctions. As a punishment for alleged illegal sales of military sensitive technology the Toshiba Machine Company made to the Soviet Union, the sanctions would ban the Japanese company sales in the U.S. market for three years and federal government purchases of Toshiba products for three years.

- The White House held that the parent company — Toshiba Corp. — should not be penalized for the infraction of a subsidiary.

- Unfair trade practices. The provision makes retaliation against unfair [words indistinct], even if the president determined that striking back would damage the U.S. economy as a whole. It would also transfer from the president to the U.S. trade representative the authority to impose import restrictions in retaliation for unfair foreign trade practices.

- Foreign investment. The administration has accepted a measure that gives the president authority to block a foreign takeover of an American company for "national security" reasons.

However, it expressed opposition to a companion measure that would require foreign companies to register with the government and, if the holdings were at least 25 percent, to disclose data on their sales and earnings.

The administration insisted that the companion provision would deter foreign investment and lead to retaliatory measures by other nations.

Since the trade bill, once enacted and signed into law, would immensely affect U.S. trade relations with other countries, it naturally has aroused grave concern across the world.

These provisions are still subject to review by leaders of the full House-Senate conference, and to a final vote in both houses, before being sent to President Reagan.

Liao Hansheng Meets U.S. Congress Delegation
OW051748 Beijing XINHUA in English 1319 GMT
5 Apr 88

[Text] Beijing, April 5 (XINHUA)—Liao Hansheng, vice-chairman of the Chinese National People's Congress (NPC) Standing Committee and chairman of the NPC Foreign Affairs Committee, met a delegation from the Armed Services Committee of the U.S. House of Representatives here today.

The delegation is led by G.V. Sonny Montgomery, Democratic member of the U.S. Congress.

Thailand, U.S. Finalize War Reserve Stockpile
OW050329 Beijing XINHUA in English 1052 GMT
2 Apr 88

[Text] Bangkok, April 2 (XINHUA)—Thailand and the United States have finalized an agreement on building up a joint war reserve stockpile in Thailand, and the U.S. arms and ammunition will start arriving in September this year, local press reported today.

The final agreement was signed here yesterday by Thai Army commander-in-chief General Chawalit Yongchaiyut and Brigadier General Peter W. Lash, chief of the Joint U.S. Military Advisory Group in Thailand.

General Sunthon Khongsomphong, chief of staff of the Thai Armed Forces, was quoted as saying that most of the U.S. arms and ammunition are the types requested by the Thai military. "They are all conventional arms, no nuclear weapons," he said.

The war reserve will be kept in ordnance depots built by the Thai side, Sunthon said, adding that the construction will be completed in time to begin the stockpiling in September.

An initial agreement for the setting up of a joint war reserve stockpile was signed by Thai Defense Minister Air Chief Marshal Phaniang Kantarat and U.S. Ambassador to Thailand William A. Brown in January last year.

Under the agreement, a war reserve of arms and ammunition worth 100 million U.S. dollars will be maintained with two countries equally sharing its cost. In an emergency, the Thai side can draw from the stockpile first and pay for it later.

Returned Students Delegation Visits United States
OW051251 Beijing XINHUA in English 0708 GMT
3 Apr 88

[Text] New York, April 2 (XINHUA)—A six-member delegation from China's Western Returned Students Association (WRSA) arrived here this evening for a month-long visit to the United States at the invitation of the National Association of Chinese-Americans.

Dr. Tang Zhenxu, head of the delegation and executive vice-president of WRSA, told XINHUA that the visit, first ever by WRSA to the United States, is intended to "broaden contacts and learn."

"There is a large reservoir of talent among the more than 100,000 scholars of Chinese origin now residing in the United States," Tang said, hoping the visit could promote contacts and exchanges with those scholars.

As many of those scholars are "in the forefront of world scientific research" and occupy important positions in American academic and industrial fields, Tang said, his delegation "will make the best use of the opportunity to learn from their Chinese-American colleagues."

He also hoped that more of those scholars could become overseas members of WRSA. Now over 50 Chinese-born scholars living abroad have joined the association since it began accepting overseas members in 1986.

WRSA, established in 1913 by China's first group of students back from Europe and North America, now has a membership of more than 4,000, of whom over 1,000 are those returned from the United States.

Dr. Tang himself obtained his doctorate from Cornell University in the thirties and had worked for many years in New York before returning to China in the late forties. He now serves as honorary president of the Chinese Academy of Railroad Science.

Besides New York, the delegation will tour Boston, Washington, D.C., Atlanta, Houston, Los Angeles and San Francisco.

Canadians Protest U.S. Bomber Training Flights
OW050349 Beijing XINHUA in English 1103 GMT
2 Apr 88

[Text] Ottawa, April 1 (XINHUA)—More than 100 Canadians held an anti-cruise-missile demonstration in the northern Ontario city of Sault Ste. Marie today to protest training flights of U.S. bombers over their area.

The demonstrators released a net of helium-filled balloons into the sky to draw attention to the U.S. Air Force training flights.

The test flights of B-52 bombers and F-111 fighter bombers occurred today 110 meters above the ground along a 400-kilometer corridor between North Bay and the Agawa Canyon, north of Sault Ste. Marie.

Peace association spokesman Chris Reid called the military test a "first-strike strategy." He said that Canada should have no part of it.

"Let's get rid of those flights over our land," said Don Jackson, a political science professor at Algoma University. He urged that money for the training should be used towards hospitals, schools, peace, and education.

Canadian Science Delegation Leaves for Home
SK060500 Changchun Jilin Provincial Service
in Mandarin 1200 5 Apr 88

[Text] After ending their friendly visits and negotiations in our province successfully, the Saskatchewan scientific and technological delegation led by (Lanny Mack John), director of the Scientific and Technological Department of Saskatchewan Province of Canada, and the negotiation group headed by (Donald Carol), a total of 17 persons, today left Changchun for home via Beijing.

The Saskatchewan scientific and technological delegation and the negotiation group were invited by the provincial people's government to pay a visit to our province on 29 March. The delegation and negotiation group were met successively by Vice Governors Liu Xilin, Gao Wen, and Gao Yan.

During their stopover in the province, the delegation and the negotiation group held discussions with the provincial Scientific and Technological Department on scientific and technological exchange and cooperation between the two provinces; they also discussed and signed agreements with the provincial negotiation group on the plan of developing contacts from April 1988 to the end of March 1990 between the two provinces, thus making new contributions to developing friendly cooperative relations between the two provinces.

During their visits the Saskatchewan guests also visited the provincial Academy of Agricultural Sciences, some scientific research units, Jilin University, the Changchun Film Studio, and the Changchun Vehicle Plant.

Most of the negotiation group members also visited Jilin City.

CAAC Launches Maiden Flight to Toronto
OW051335 Beijing XINHUA in English 0728 GMT
5 Apr 88

[Text] Beijing, April 3 (XINHUA)—The Civil Aviation Administration of China (CAAC) today celebrates its maiden flight to Toronto, Canada, via Shanghai and Vancouver.

The Toronto-destined flight is an extension of the existing Beijing-Vancouver line.

Fully-loaded with Chinese and foreign passengers, including a special CAAC delegation, the first flight with a Boeing 747-SP wide-body airplane took off as scheduled at 12:30 pm, local time today from the Beijing Airport.

According to CAAC officials, it will take only 15 hours and 40 minutes for the CAAC airplane to fly the total length of the 14,200-kilometre Beijing-Toronto air link, CAAC's 32nd international air line.

The new air line will shorten the distance between China and Canada and promote exchanges and friendly ties between the two countries, the officials said.

Northeast Asia

Compensation for Japanese Rail Victims Planned
OW060756 Beijing XINHUA in English 0644 GMT
6 Apr 88

[Text] Beijing, April 6 (XINHUA)—Chinese vice foreign minister Qian Qichen said today that Japanese victims of a recent railway accident in China will be compensated through consultations by competent departments of the two countries.

Speaking at a press conference here this morning, Qian said the Chinese and Japanese Foreign Ministries will also cooperate with each other in settling the compensation question.

The railway accident happened in Shanghai on March 24, killing 26 students and a teacher from Japan and injuring many others. Leading officials of the Chinese and Japanese Foreign Ministries went to the scene to handle the matter.

"Because of the great importance attached by both China and Japan, the accident has been properly handled," Qian added.

Swift Settlement Promised
OW060759 Tokyo KYODO in English 0727 GMT
7 Apr 88

[Text] Beijing, April 6 KYODO—China on Wednesday vowed swift settlement of compensation claims for Japanese victims of last month's train crash near Shanghai

as authorities announced the arrest of a train driver for causing collision which killed 28 people including 27 Japanese on a school tour and resulted in 99 injuries.

"Now the only outstanding question is compensation," said vice foreign minister Qian Qichen a day after an official investigation team blamed the March 24 accident on two train drivers who allegedly caused the crash after ignoring a red signal.

Qian, speaking at a press conference, said China wants to settle the compensation issue "speedily and promptly."

He said detailed negotiations are involved but the Chinese Foreign Ministry will "give a push and assistance from the sideline."

On Tuesday, Chinese authorities announced that police have arrested Zhou Xiaoniu, 45, driver of the No 311 Express train, and detained his mate Liu Guolong, 33, for questioning.

The express train in which 193 teachers and students from Gakugei High School in the southern Japanese prefecture of Kochi were travelling collided head-on with another passenger train near Kuangxiang on the western outskirts of Shanghai.

The 37 Japanese injured in the tragedy have all returned to Japan, some of them for further medical treatment.

Qian said the issue of compensation needs to be settled through negotiations between competent authorities of the two nations, adding he believed it can be resolved "in a friendly manner."

In reporting the arrest Tuesday, the official XINHUA NEWS AGENCY said investigators from the National Committee for Industrial Safety had determined that the two No 311 train drivers had violated traffic rules, rolling their train out of the Kuangxiang railway station despite red signal. The 311 train was bound from Nanjing to Hangzhou while the other train was on its way from Changha to Shanghai.

"Their violation of the (traffic) rules.. resulted in the "collision," the investigation report was quoted as saying by XINHUA.

The report said investigators visited the crash site, inspected the wreckage and conducted experiments with the brake system, but XINHUA gave no indication whether the braking system was also involved.

Li Shenmao, vice railways minister, had earlier suggested in remarks to KYODO NEWS SERVICE that a malfunction in the NO 311 train's braking system also contributed to the accident.

Bilateral Ties With South Korea Ruled Out
OW060302 Beijing XINHUA in English 0250 GMT
6 Apr 88

[Text] Beijing, April 6 (XINHUA) — China will not establish bilateral relations with South Korea and this is because China wishes to facilitate the relaxation of tension on the Korean peninsula and help maintain stability there, said Qian Qichen, vice-minister of foreign affairs, at a press conference held here today.

"China maintains friendly relations with the Democratic People's Republic of Korea and we understand each other's policies," Qian said.

Answering a question raised by the Hong Kong-based "WENHUI DAILY", Qian said China's participation in the Olympic games to be held in Seoul of South Korea is in accordance with the Olympic charter.

Southeast Asia & Pacific

WEN WEI PO on Mounting Tension in Spratlys
HK060338 Hong Kong WEN WEI PO in Chinese
6 Apr 88 p 2

[Editorial: "Tension Mounts at Nansha"]

[Text] After Vietnam stirred up the military conflict in the Nansha Islands [Spratlys] on 14 March, it continued military mobilization at home and spread misleading messages to the world, saying that "it is going to rescue its naval personnel" and asking China to "give an answer about the condition of the 74 missing Vietnamese sailors." Vietnam even said that it was ready to hold "peace negotiations."

Vietnam tried to send ships flying the Red Cross flag to the Nansha area in the name of searching for the missing sailors, and then to accuse China of being "inhuman" if China rejected Vietnam's request. In fact, China already agreed on 16 March that Vietnam could send Red Cross ships into the sea area. However, Vietnam's real intention was to occupy China's Nansha islands. It tried to fish in troubled waters and hoisted the Red Cross flags on all its ships in the Nansha area so as to transport troops, replenish supplies, occupy more islands, and conduct reconnaissance. These Vietnamese ships remained in the Nansha area for a long time and refused to leave.

Vietnam made use of the "Red Cross flag" tactics to dispatch more troops into the Nansha area. At the same time, it stepped up its diplomatic activities to solicit support from a superpower. So, the Chinese Foreign Ministry thoroughly exposed Vietnam's tricks and pointed out that in light of the Geneva Convention, rescue ships must not be used for any military purpose; and Vietnam's actions violated this international convention.

At present, the number of Vietnamese ships of all kinds gathered in the Nansha area has increased to more than 30 from about a dozen, and the number of Vietnamese

ships there is even larger than the number of Chinese ships (about 20). Now, Vietnam has more than 50 warships that can be mobilized for military operations, and recently it also purchased two more cruisers from the Soviet Union.

Up to this year, Vietnam had already occupied the islands of Bisheng, Xiaoxianjiao, Pengbobao, Nanzi, Anda, Hongchuang, Jinghong, Liwei, Dunxianshazhou, and Bojiao. Earlier this year, it occupied more islands, including Daxian, Liumen, Wume, Nanhua, and Dongjiao. In the last month, Vietnam went on to occupy two more reefs—Bolan and Nailuo. It seems that Vietnam is trying to occupy as many islands as it can in the Nansha area from the outskirts to the interior part. Now, the Vietnamese ships are trying to press on toward Taiping Island where there are garrison troops dispatched by the Taiwan KMT authorities. The Vietnamese are trying to force the KMT [Kuomintang] troops to give up the island. Bojiao and Daxian Island, occupied by the Vietnamese troops last year and this year, are very close to Taiping Island. Vietnam has ignored China's repeated statements that the Nansha Islands are China's territory, and has tried hard to create a fait accompli by controlling a large number of Nansha islands.

China always adopts the attitude of reasoning things out, but this did not stop Vietnam's expansion and was even regarded by Vietnam as China's "weakness." So China now cannot but change its approach. On the one hand, China continues to reason things out; on the other hand, China will resort more to its military strength so as to tell Vietnam that it will have to pay a heavy price if it continues to send troops to occupy China's islands.

China's attitude has become tougher, and has demanded clearly that Vietnam withdraw its troops immediately from the islands and reefs in the Nansha area. Yesterday, the statement issued by the Chinese Foreign Ministry adopted a stern tone, saying that "if Vietnam continues to act willfully and dares to make new military provocations, it must take responsibility for all the consequences of such actions."

It seems that a certain tacit agreement has been reached between the KMT and the CPC authorities on the issue of Nansha. In the past, although the KMT authorities also expressed concern about the threats posed by the advances of the Vietnamese, the Taiwan Defense Minister Cheng Wei-yuen said merely that the "National Army will fight to the death in defending the motherland's territory, but will not be involved in any conflict between the CPC troops and the Vietnamese troops." However, on a recent occasion, Cheng changed his usual remarks on this issue and said that "once a war over the control of the territory breaks out at Nansha, the Taiwan troops will assist the CPC troops to fight against the Vietnamese." This position is not only in the interests of Taiping Island garrisoned by the Taiwan troops, but also demonstrates the nationalist spirit.

So long as the CPC and KMT troops are united to fight against the foreign invaders, the two sides will be able to remove their mutual mistrust. This will be more favorable to the defense of Taiping Island and will guarantee adequate supplies and information sources for the island. If a counterattack is launched by the Chinese troops, it is very likely that Daxiao and Bojiao, which are the two islands closest to Taiping, will be recovered first.

The Vietnamese authorities have recently set up a new command center in southern Vietnam, and are stepping up military deployment for combat on a larger scale. In particular, as the Nansha Islands are within the 500-km radius from Vietnam's mainland bases, Vietnam may send its Air Force to reinforce its Navy at Nansha. Recently, Vietnamese planes have circled frequently over the Nansha Islands so as to make a show of force. Vietnam also claimed that its Air Force had "made all necessary preparations for participating in the battles." This was indeed "tension" as described by Vietnam.

The development of the situation in the next few days will be crucial. All Chinese people are closely watching their sea and island territory at Nansha.

Envoy to SRV, SRV Officials Honor PRC War Dead
OW051513 Beijing XINHUA in English 1506 GMT
5 Apr 88

[Text] Hanoi, April 5 (XINHUA)—Staff members of the Chinese Embassy in Vietnam paid respects during this week's Qing Ming observances to the more than 1,400 Chinese who died in the liberation of Vietnam and are now buried here.

Chinese Ambassador to Vietnam Li Shichun and other embassy staff held memorial ceremonies today and yesterday at three memorials to the Chinese martyrs in Bac Thai Province, Ha Nam Ninh Province and the suburbs of Hanoi.

Hoang Ling, head of the Vietnam-China Friendship Association, accompanied the Chinese Embassy staff to the memorials to pay homage to the Chinese war dead.

Qing Ming is the Chinese day set aside each April to honor the dead.

Wu Xueqian Hosts Banquet for Prince Sihanouk
OW011631 Beijing XINHUA in English 1506 GMT
1 Apr 88

[Text] Beijing, April 1 (XINHUA)—State Councillor and Foreign Minister Wu Xueqian gave a dinner for president of Democratic Kampuchea Samdech Norodom Sihanouk and his wife at the Diaoyutai state guesthouse here today.

In a cordial talk with Sihanouk before the banquet, Wu reiterated that the Chinese Government holds him in great esteem, and appreciates and supports all the efforts made by the prince for a reasonable settlement of the Kampuchea problem.

Wu said the Chinese Government firmly backs the just struggle of the Kampuchean people led by Sihanouk against the Vietnamese invaders.

Ngapoi Ngawang Jigme, vice-chairman of the Standing Committee of the Chinese National People's Congress, was present on both occasions.

Liu Shuqing Leaves for ESCAP Session in Jakarta
OW051754 Beijing XINHUA in English 1145 GMT
5 Apr 88

[Text] Beijing, April 5 (XINHUA) — Chinese Vice-Minister of Foreign Affairs Liu Shuqing left here by air today for Jakarta via Bangkok to attend the 44th annual session of the United Nations Economic and Social Commission for Asia and the Pacific at the head of the Chinese delegation.

The session will be held in Jakarta from April 11 to 20.

Tian Jiyun Meets Malaysian Trade Delegation
BK011521 Beijing in Malay to Malaysia 1230 GMT
1 Apr 88

[Excerpt] PRC Vice Premier Tian Jiyun met in Beijing this afternoon with a Malaysian trade delegation. During the meeting, Vice Premier Tian Jiyun said the signing of the trade accord between the two countries would promote direct bilateral trade, adding that the two countries had great potentials, not only in trade, but also in economic cooperation. He urged Malaysian investors to invest in the PRC and expressed the hope that PRC businessmen would do the same in Malaysia. He also expressed confidence in the bright future of economic and trade relations between the two countries.

During the meeting, Datin Paduka Rafidah Aziz, leader of the Malaysian trade mission, said the signing of the trade agreement was important to the promotion of bilateral trade.

This evening, PRC Minister of Foreign Economic Relations and Trade Zheng Tuobin hosted a banquet in honor of Minister Rafidah Aziz and her entourage. [passage omitted]

Near East & South Asia

Missile Sales to Saudi Arabia Confirmed
OW060308 Beijing XINHUA in English 0246 GMT
6 Apr 88

[Text] Beijing, April 6 (XINHUA) — Chinese Foreign Minister Wu Xueqian today confirmed that China has sold a number of ground-to-ground missiles to Saudi Arabia.

But he was quick to add that the Saudi Arabian Government has promised that it will not transfer or be the first to use the missiles it bought from China and will use them only for defense purposes. "We believe that the Saudi Arabian Government will honor its commitment," Wu stated.

Answering a question by a TIME magazine reporter at a press conference here this morning, Wu said that the sales of ground-to-ground missiles to Saudi Arabia will help stabilize the situation in that country and in the Middle East in general.

The foreign minister pointed out that some people in Israel have openly threatened that they will carry out military retaliations against Saudi Arabia on this account.

This threat has been met with condemnation by other Arab countries, and China supports the just stand of Saudi Arabia and other Arab countries in condemning the Israeli threat, Wu stressed.

Responding to another question, he said that China wishes to establish diplomatic relations with Saudi Arabia as soon as possible since the relations between the two countries have developed in various fields in recent years.

He also noted that Chinese vice-foreign minister Qi Huaiyuan has been well received on his visit to Saudi Arabia, and Qi is expected to return today.

Pakistan-Afghanistan Border Clash 2 Apr Kills 16
OW051138 Beijing XINHUA in English 0852 GMT
4 Apr 88

[Text] Islamabad, April 4 (XINHUA)—Eight Afghan militiamen were killed and more than a dozen wounded in a severe clash between Pakistan border security force and Afghan militia on April 2, according to official sources here today.

On the Pakistan side, the sources disclosed, four Pakistan militiamen, two civilians and two Afghan refugees taking shelter in Pakistan lost their lives during the clash.

The clash took place after a captain in the Afghan Army, Asmatullah, crossed over to Pakistan in a jeep for political asylum near Chaman in Baluchistan Province of Pakistan.

Soon after Asmatullah had crossed the border, Afghan border militia chasing him entered into Pakistan territory in an official vehicle. They captured the nearest Pakistan checkpoint.

On receiving the information, a contingent of Pakistan militia armed with heavy weapons immediately rushed to the scene. They ordered the Afghan militiamen to surrender, but the Afghan militiamen opened fire at them, leading to a severe clash.

As a result, 16 people on both sides had been killed on the spot, according to the sources. The rest of the Afghans, they noted, fled from the checkpoint and abducted five Pakistanis including three checkpoint officials.

After long negotiations, the militias of the two sides agreed to exchange men in the evening. Asmatullah was returned for the three Pakistan officials, the sources said.

Najibullah Announces Parliamentary Elections
*OW051148 Beijing XINHUA in English 0810 GMT
4 Apr 88*

[Text] Beijing, April 4 (XINHUA)—Leader of the Kabul regime of Afghanistan czar Najibullah announced Sunday that the country will hold National Assembly elections over a 10-day period starting Wednesday, according to reports reaching here.

Najibullah, in a Radio Kabul broadcast, also declared the first day of the scheduled general elections a national holiday to allow Afghans to vote for a 229-seat House of Representatives and a 62-seat Senate, the reports said.

Najibullah called the elections a "historic chance" to reunite the war-torn country, but Western diplomats, Pakistan officials and Afghan resistance leaders dismiss the elections as a sham, according to the reports.

They noted that even setting this week for voting violated the regime's own election law which calls for a three-month notice of election dates.

"The regulations, obviously prepared in haste, suggest the exercise is only cosmetic," one Western diplomat was quoted as saying.

The Afghan resistance forces have refused any power-sharing with the Kabul regime and vowed to fight till they topple the regime.

The elections coincide with negotiation in Geneva on a Soviet pullout of all its occupation troops, and diplomats said they believed that the hurried holding of the elections indicated the Kabul regime wants the assembly in place before a pullout begins.

Afghan Resistance To Establish Islamic Government
*OW060332 Beijing XINHUA in English 1319 GMT
5 Apr 88*

[Text] Islamabad, April 5 (XINHUA)—Afghan resistance leader Gulbuddin Hikmatyar has said that the ultimate objective of the armed struggle of the resistance forces is to set up an Islamic government in Afghanistan.

Gulbuddin, chairman of the seven-party resistance alliance, made the remark in a statement issued yesterday in Peshawar, capital of Pakistan's northwest frontier province.

He said that the Afghan resistance forces will continue fighting against the Soviet troops until they are withdrawn from Afghanistan.

The Soviet Union invaded Afghanistan in December 1979. About 120,000 Soviet troops are still stationed in that country despite repeated calls from the international community for their complete withdrawal.

The Afghan resistance leader noted that after independence and liberation of the country, Afghanistan will have cordial relations with all of its neighbors, particularly Pakistan and Iran.

He stated that any deal which does not lead to the setting up of a neutral interim government in Kabul and a halt to the Soviet military aid to the Moscow-installed Kabul regime will be unacceptable to the resistance forces.

Without the consent of the resistance, he added, no agreement could be implemented nor could the crisis be ended in Afghanistan.

XINHUA: 'Little Hope' for Shultz in Mideast
*OW022058 Beijing XINHUA in English 1615 GMT
2 Apr 88*

["News Analysis: Shultz' New Trip Carries Little Hope (by Fu Weijian and Wang Ge)" — XINHUA headline]

[Text] Amman, April 2 (XINHUA)—Early last month, U.S. Secretary of State George Shultz granted Israel, Jordan, Egypt and Syria ten days to react to a "new proposal" by the United States on solving the Arab-Israel conflict. He has waited for nearly a whole month and received no answers.

So the secretary has decided to wait no longer and to go back to the four countries Sunday, starting the third round of his Mideast peace mission in a month.

Observers here say Shultz' new trip has little hope of success, and it is clear that his "new proposal," which centers on implementing the principle of "land for peace" by convening an international Mideast peace conference, has met a cold response from both sides.

Israelis refuse to withdraw from the occupied territories, and the Palestinians will not accept a conference which has no power to secure their self-determination in these territories.

So, if the White House, as U.S. officials say, does not plan to change anything in the "new proposal," it is difficult to see how Shultz's new shuttle visit would persuade the two sides to lower their demands and reach an agreement.

Aside from showing the Arabs that the U.S. is sincerely trying to solve the Middle East question, is there anything else that Shultz expects to do in this trip?

Meeting a few Palestinians might be a possibility.

During his last visit, Shultz was unable to talk to Palestinians because of the opposition of the Palestine Liberation Organization (PLO).

However, on March 26, in Washington, the U.S. secretary met two American professors of Palestinian origin. The two professors, members of the Palestinian National Council, were reported to have secured permission for the talk from Yasir 'Arafat, chairman of the Executive Committee of the PLO.

Is this a signal from 'Arafat that the meeting Shultz has expected with Palestinians influential in the Mideast is likely to be realized?

Whether it is or not, however, observers caution that no peace proposal on the Arab-Israel conflict can succeed, so long as the United States attempts to exclude the PLO from the Mideast peace talks.

Air Force Commander Wang Arrives in Cairo
OW050624 Beijing XINHUA in English 0240 GMT
5 Apr 88

[Text] Cairo, April 4 (XINHUA)—Chinese commander of the Air Force, Wang Hai, arrived here tonight for a five-day visit to Egypt.

He is expected to meet Egyptian deputy prime minister and minister of defence and military production Field Marshal Muhammad 'Abd al-Hasim Abu Ghazala and commanders of the Egyptian Air Force and Air-Defence Force.

He will also visit an ordnance factory and an Air Force academy, an air-defence training centre and some places of historical interest.

Bangladesh Army Staff Chief Arrives in Beijing
OW021317 Beijing XINHUA in English 1311 GMT
2 Apr 88

[Text] Beijing, April 2 (XINHUA)—Lieutenant General Atigur Rahman, chief of staff of the Army of Bangladesh, arrived here this afternoon for a visit.

Meets With Zhang Aiping
OW041208 Beijing XINHUA in English 1140 GMT
4 Apr 88

[Text] Beijing, April 4 (XINHUA)—Zhang Aiping, Chinese state councillor and minister of national defense, met here today with Lieutenant General Atigur Rahman, chief of staff of the Army of Bangladesh.

Xu Xin, deputy chief of General Staff of the Chinese People's Liberation Army, was present at the meeting.

Meets With Li Xiannian

OW051625 Beijing XINHUA in English 1548 GMT
5 Apr 88

[Text] Beijing, April 5 (XINHUA)—Chinese President Li Xiannian met Atigur Rahman, chief of Army staff of Bangladesh, and his party here today.

Li described Bangladesh and China as "old friends," adding that relations between them have been very good.

Li asked Atigur Rahman to convey his regards to Bangladesh President Hussain Mohammad Ershad. Atigur Rahman also conveyed to Li best wishes from Ershad.

Both Li Xiannian and Atigur Rahman expressed the hope to further friendship and cooperation between China and Bangladesh.

Meets With PLA Chief of Staff

OW051623 Beijing XINHUA in English 1504 GMT
3 Apr 88

[text] Beijing, April 3 (XINHUA)—Chi Haotian, chief of general staff of the Chinese People's Liberation Army (PLA), met Lieutenant General Atigur Rahman, chief of staff of the Army of Bangladesh, and his party, here today.

This morning, Deputy Chief of the PLA General Staff Xu Xin hosted a ceremony to welcome the guests and later held talks with Atigur Rahman.

The visitors were honored at a dinner given by Xu Xin.

West Europe

Vatican Said Ready To Heal Rift With China
HK060827 Hong Kong SOUTH CHINA MORNING
POST in English 6 Apr 88 p1

[By Simon Macklin]

[Text] The Vatican could recognise the Beijing Government within the next two years following an easing of relations and the release of several Catholic priests from Chinese jails, a senior local cleric said yesterday.

Father Louis Ha, director of the Hong Kong Catholic Social Communications Office and a member of the Basic Law Consultative Committee, said it was just a question of time before the church officially recognised the mainland government.

"The possibility of the Vatican recognising the Beijing Government is now very high—the only problem is waiting for the exact timing," Father Ha said.

Beijing has said it would consider restoring relations with the Vatican if the Pope took the initiative by recognising the Beijing regime and cutting his ties with Taiwan.

But the Vatican and Taiwan maintain diplomatic contacts and former Taiwanese Foreign Minister Mr Chow Shukai, the ambassador to the Vatican, is Taiwan's only recognised ambassador in Europe.

The Vatican never recognised the Government in Beijing after the 1949 revolution and the Chinese cut links with the Vatican in 1957.

Father Ha said he expected an announcement from the Vatican within the next "two or three years".

Local Catholics are anxious for the matter to be resolved before Hong Kong reverts to Chinese sovereignty in 1997.

Father Ha said negotiations were still under way for a visit to China by Pope John Paul II.

The negotiations were being conducted between Chinese authorities and Catholic Church officials in Korea who had initiated the proposal, Father Ha added.

Cardinal Kim of Korea last year suggested the Pope should visit China before attending an International Eucharistic Congress in Seoul in October 1989.

The recent restoration of civic and political rights to the Vatican-appointed Shanghai Bishop Ignatius Gong Pin-mei, and the release from detention of several other clerics, were pointers towards the easing of relations between the church and the government, he said.

Bishop Gong was given a passport by the Chinese Government when his political rights were restored in January this year following release from 30 years of detention. He is expected to travel to the United States later this month to receive medical treatment.

Father Ha said Bishop Gong might stop off in Hong Kong and Catholics in the territory were looking forward to being able to greet him.

Three Jesuit priests who spent the past 24 years in a re-education camp in Anhui province were recently released, he said.

The activities of the Catholic Church in China were monitored by the Holy Spirit Study Centre in Hong Kong and a steady relaxation of restrictions on the church and clergy had been noticed in the past few years, he said.

"We do see quite a few clergy who have recently been released from detention and these are good signs (of improved relations)," Father Ha said.

"In the past two or three years it has been much easier for us to contact Christians in China," he added.

But church officials going to meet colleagues on the mainland still found they were followed by members of the security forces in China he said.

Father Ha said he was "optimistic" about future relations between Beijing authorities and the Vatican.

Thousands of Christians were persecuted after the 1949 revolution and the cultural Revolution from 1966 to 1976.

Catholics were forced to renounce their allegiance to the pope and declare their loyalty to the state-approved Chinese Catholic Patriotic Association, which does not recognise the Vatican's authority of appointments.

Leading clerics in the officially-approved Catholic Church recently said they were optimistic the government in Beijing and the Vatican would be able to forge a relationship which would be of benefit to the church and the state.

CAAC Official Criticizes British Airways
OW021221 Beijing XINHUA in English 1618 GMT
1 Apr 88

[Text] Beijing, April 1 (XINHUA)—A Chinese official today criticized the British Airways company for opening a new flight route from London to Beijing via Bombay, while continuing with the route via Hong Kong.

The official described the decision as "running counter to the Sino-British aviation agreement."

The official from the Civil Aviation Administration of China (CAAC) told XINHUA that, according to the agreement signed in 1979, British planes should fly to Beijing either via Hong Kong or Bombay.

In 1981, with the approval of the Chinese side, the British Airways company initiated the first route from London to Beijing via Hong Kong.

Recently, the company applied for permission to open the second London-Beijing route, to which CAAC agreed. But CAAC required the British company to use either Hong Kong or Bombay as a mid-way stop for both routes.

Nevertheless, the British company insisted that one flies to Beijing through Hong Kong while the other flies through Bombay, the official said.

While the flight via Hong Kong to Beijing was still operating, the plane for the second route via Bombay arrived in Beijing Thursday.

Although this is inappropriate, the CAAC official said, CAAC agreed to allow the British company to continue the practice for some time out of consideration of the British company's actual conditions and the interests of passengers.

"We hope both sides will discuss the matter and find out a solution as soon as possible," the CAAC official said.

Qi Huaiyuan Notes New Phase in Ties With Turkey
OW020500 Beijing XINHUA in English 1653 GMT
1 Apr 88

[Text] Istanbul, Turkey, April 1 (XINHUA)—“The relations between China and Turkey have now entered into a new phase of mutual respect, mutual trust and friendly cooperation,” Qi Huaiyuan, Chinese vice foreign minister, declared here today.

Upon his departure after a four-day visit to Turkey, Qi told XINHUA that he delivered an invitation from Chinese Acting Premier Li Peng to Turkish Premier Turgut Ozal for a second visit to China in autumn this year and Ozal has accepted the invitation.

The Sino-Turkish relations will be further developed as a result of the second round of exchange of visits by the leaders of the two countries, he added.

Qi said that during his stay in Turkey he had cordial talks with Premier Ozal and minister and vice minister of the Turkish Foreign Ministry on both international issues and bilateral relations. Describing his visit as successful, Qi said “we have had wideranging unanimity on these issues”.

China, now undergoing extensive reforms in political and economic fields, has been interested in learning from Turkey and exchanging experiences with it.

Reviewing the Sino-Turkish relations, the vice foreign minister said these relations have been developed rapidly since the establishment of diplomatic relations between the two countries in 1971, especially since 1982, when the leaders of both countries exchanged their visits.

Both China and Turkey belong to the Third World and have no contradiction whatsoever in their respective interests, he added.

Qi said he had been impressed by Turkey's achievements in developing its national economy and raising the living standard of the people. Turkey has adhered to its policy of keeping good relations with its neighbours, making efforts to ease tensions in this region, opposing Israel's aggression and supporting the just cause of the Palestinian people, he remarked.

PLA Goodwill Delegation Ends Visit to Turkey
OW022038 Beijing XINHUA in English 1330 GMT
2 Apr 88

[Text] Istanbul, April 2 (XINHUA)—The good-will delegation of the People's Liberation Army (PLA) of China today ended the six-day visit to Turkey and headed for Cairo via Athens.

Wang Hai, the Air Force commander of the PLA and the head of the delegation told XINHUA that the friendship between the Chinese Army and Turkish Army has been strengthened following the development of the Sino-Turkish friendly relations.

He said that the Turkish Army, especially the Air Force, is well-trained and highly disciplined and is prepared against war. It attaches great importance to cultural education, carries out strict rules and regulations, and works with high efficiency. He added that the Chinese Army will learn from the Turkish Army's strong points.

He hoped that the exchange of experience and visits between the Chinese and Turkish air forces will be strengthened.

He disclosed that the Turkish Air Force commander Cemil Cuha has accepted the invitation to visit China at an appropriate time.

The delegation visited the Turkish cities of Ankara, Izmir and Istanbul, the plant for manufacturing F-16 aircraft, electronic equipment, the Air Force academy and military installations. The Turkish Defense Minister Ercan Vuralhan and Air Force Commander Cemil Cuha met with Wang Hai during the visit.

The delegation arrived in Turkey on March 27 after a visit to Pakistan.

Qiao Shi Meets Luxembourg Minister
OW031218 Beijing XINHUA in English 1208 GMT
3 Apr 88

[Text] Beijing, April 3 (XINHUA)—Chinese Vice-Premier Qiao Shi met Jean Spautz, Luxembourg minister of interior, and his party, here this afternoon.

The guests are here on a visit at the invitation of Wang Fang, Chinese minister of public security.

East Europe

Zhao Ziyang Meets Axen-Led GDR Delegation
OW051934 Beijing XINHUA Domestic Service
in Chinese 1437 GMT 5 Apr 88

[Text] Beijing, 5 Apr (XINHUA) — At a meeting with a delegation from the Socialist Unity Party of Germany [SED] today, Zhao Ziyang, general secretary of the CPC Central Committee, said that China's primary task of building socialism is to eliminate poverty and backwardness.

Zhao Ziyang said: The principles China has put forth, such as the theory on the initial stage of socialism and policies regarding socialist commodity economy, ownership, and distribution, are based on this primary task. They are all aimed at facilitating the expansion of productive forces.

He said: Only by stimulating effectively the expansion of productive forces can China consolidate the socialist system and display its superiority.

Zhao Ziyang told leader of the delegation Hermann Axen, who is a member of the Politburo and Secretariat of the SED Central Committee, that "the 13th CPC National Congress was very successful mainly because we were able to summarize both positive and negative experiences of the past 3 decades or so."

He said: Although China won ultimate victory in the democratic revolution and established the socialist system, we did not shake off poverty and backwardness thoroughly. From the victory of the Chinese Revolution until 1979, China made advances as well as suffering setbacks in building socialism. All in all, the successes achieved by the Chinese people were incompatible with the efforts made primarily because of lack of understanding of China's basic national conditions.

Zhao Ziyang said: Currently, almost all socialist countries are building socialism according to the actual conditions in their individual countries, and almost all communist parties are seeking ways of integrating Marxism with the reality of each country. This is a good thing.

He said: Political parties can learn from, but should not copy mechanically each other's experience. As far as this question is concerned, China has drawn lessons from its past experiences and we are now more sober than before.

He stressed: China neither refuses to learn from other countries nor wants to impose its own experience on others.

Zhao Ziyang spoke highly of the GDR's remarkable achievements in building socialism under the leadership of the SED, as well as contributions by the GDR and General Secretary of the SED Central Committee Hon-ecker to the safeguarding of world peace, relaxation of tension in Europe, and disarmament.

He said he is very pleased with the current state of friendly relations between the two parties and the two countries, noting growth of bilateral relations in the political, economic, trade, scientific and technological,

and cultural fields. The CPC and the Chinese Government have set great store by developing relations with the GDR. There is room for further development of bilateral ties, and this further development can be achieved through the common efforts of both sides.

Axen said that ever since being educated while still young by the SED, he has had friendly feelings for the Chinese Revolution and China and watched closely the development of the Chinese Revolution.

He said: The 9 years since the 3d Plenary Session of the 11th CPC Central Committee have been the most successful years for China. He expressed the belief that under the leadership of the CPC, the Chinese people will carry out successfully the tasks put forth by the 13th CPC National Congress.

Wu Xueqian, member of the Political Bureau of the CPC Central Committee, state councillor, and concurrently foreign minister, met with the SED delegation this afternoon.

Tianjin Exports Cargo Ship to Czechoslovakia
SK060439 Tianjin City Service in Mandarin
2300 GMT 5 Apr 88

[Excerpts] A signing ceremony to deliver a 7,000-ton cargo ship [words indistinct] to Czechoslovakia by Xingang Shipyard was held in the shipyard on the afternoon of 5 April.

This is the first cargo ship built by Xingang Shipyard for the Czechoslovakian oceangoing company, the first cargo ship to be exported by Xingang Shipyard, and the first ship to be exported to East Europe by China.

According to the contract signed between China and Czechoslovakia, Xingang Shipyard should build four cargo ships of the same kind for Czechoslovakia. The other three ships should be built within this year. [passage omitted]

On behalf of the buying and selling parties, (Yuesefu), commercial attache of the Czechoslovakian Embassy in China; (Cao Shien), deputy manager of the China machinery import and export company; and (Li Zhuci), director of Xingang Shipyard, respectively signed the contract. Zdenko Cheben, Czechoslovakian Ambassador to China, and his wife attended the signing ceremony.

**Wu Xueqian, Qian Qichen News Conference at NPC
OW060547 Beijing Television Service in Mandarin
0128 GMT 6 Apr 88**

[Fifth news conference held by Zeng Tao, press spokesman for the First Session of the Seventh NPC, for Chinese and foreign reporters, in the Great Hall of the People in Beijing on 6 April; Zeng Tao, Wu Xueqian, and Qian Qichen speak in Mandarin with passage-by-passage English translation by unidentified interpreter; foreign reporters' questions in English with passage-by-passage translation into Mandarin—live]

[Text] [Video opens with caption "Wu Xueqian Meets Chinese and Foreign Reporters (Live Coverage)" over shots of crowded hall, cutting to shots of participants seated at table before large audience, with occasional medium shots of individual reporters standing while asking questions]

[Zeng Tao] Today we have invited State Councillor and Foreign Minister Wu Xueqian and Vice Foreign Minister Qian Qichen, with whom you are familiar, to meet with you and answer your questions concerning foreign affairs. This conference will last 1 hour or 1 and 1/2 hours at the most. This is very generous, isn't it? Now, please ask your questions.

[Reporter] I am a reporter of a Hong Kong radio station. I wish to ask Foreign Minister Wu a question on Sino-British relations. The Sino-British Joint Liaison Group will be permanently stationed in Hong Kong beginning in July this year. How will it develop its work? Now, some people in Hong Kong are concerned that this permanent organization may become a second center of authority. Is this possible? Besides, recent reports have it that the British Parliament and Hong Kong Legislative Council may debate the basic law. The basic law is a small constitution of China or Hong Kong. Is it appropriate for the British or Hong Kong legislative organs to debate it, since they are foreign organs? Will this affect Sino-British relations? Thank you.

[Wu Xueqian] The Chinese delegation of the Sino-British Joint Liaison Group will move to Hong Kong in July this year. This is in accordance with the Sino-British Joint Declaration. The Joint Liaison Group's task is to discuss questions that might occur during the transitional period between now and 30 June 1997, when China will resume sovereignty over Hong Kong. There is no question of the establishment of a second center of authority. During the transitional period between now and 30 June 1997, administrative affairs will remain the responsibility of the British Hong Kong Government.

The seventh plenary session of the Drafting Committee of the Basic Law for the Hong Kong Special Administrative Region will be held in late April. After final discussion at this session, the draft basic law for the Hong Kong Special Administrative Region will be made public and opinions will be solicited from various quarters,

especially people from all walks of life in Hong Kong. After that, the draft law will be further revised. Since the Drafting Committee of the Basic Law for the Hong Kong Special Administrative Region will make the draft law public, everybody will be able to read it, including the British Parliament and the Hong Kong Legislative Council. If the British Parliament or the Hong Kong Legislative Council wants to debate the draft, this is their business.

[Reporter] I am a correspondent from the Soviet paper IZVESTIYA. I would like to ask several questions. First, how do you view the situation in Afghanistan? Second, how do you view the recent move by the Soviet Government in this regard? Third, what is your view of the proposal by President Najibullah to set up a coalition government?

[Wu Xueqian] Regarding the Afghanistan question, General Secretary Gorbachev has already made a commitment to withdraw all the Soviet troops from Afghanistan within a 9-month period. We hope that the Soviet authorities will keep their word. The present situation in Afghanistan is the aftermath of the 8-year invasion and occupation of that country by foreign troops. We hope that after the withdrawal of Soviet troops, a coalition government composed of various Afghan forces will be formed to pursue a neutral and nonaligned policy. We also hope to see the safe return to Afghanistan of those afghans who are now exiled abroad—for instance, there are now 3 million Afghan refugees in Pakistan.

[Reporter] I am reporter from the Central Television Station. I have a question addressed to Foreign Minister Wu Xueqian. In his Government Work Report, Acting Premier Li Peng talked about some specific readjustments in our foreign policy in the past 5 years. What specific matters do these readjustments refer to? And what are their manifestations?

[Wu Xueqian] Since the 12th party congress we have made major readjustments in our foreign policy in the 1980's, as we have done in the policies of reform and opening to the outside world. These readjustments have been made on the basis of our serious study of the questions of war and peace facing the world. Meanwhile, we have considered our foreign policy in the light of China's need for a long-term peaceful international environment in which to undertake socialist modernization. On the question of war and peace, we hold that the forces of peace outweigh the forces of war and that the developing forces of peace are playing an increasingly important role in checking the forces of war. On the other hand, nuclear weapons have developed to such the extent that the two major nuclear powers, which have over 95 percent of all the nuclear weapons in the world, hold that if a new world war should break out there would be no winner.

Proceeding from the above analysis, we have thus decided to pursue an independent foreign policy of peace. To be brief, this policy consists of the following points: First, we oppose hegemonism and we are working to maintain world peace. Second, China does not attach itself to any big power, nor does it yield to pressure from any big power—China decides on its own policy and position according to the merits of each case. Third, China does not enter into an alliance or strategic relationship with any big power. Fourth, China regards strengthening its unity and cooperation with Third World countries as the basis of its foreign policy. Finally, China is ready to develop cooperative relations in the economic, trade, scientific, and technological fields with all countries, including developed and developing countries, on the basis of equality and mutual benefit. I would like to add one point here: In relations between states, China is ready to develop friendly and cooperative relations with all other countries on the basis of the five principles of peaceful coexistence.

[Reporter] I am a reporter from WEN HUI BAO in Hong Kong. Recently, when NPC deputies were discussing the establishment of Hainan Province, they mentioned that many islands of China's Nansha and Xisha Qundao are occupied by foreign troops—not only by Vietnam, but also by some other Southeast Asian countries. I would like to ask if this is true. Can you give some concrete figures to show how many islands are occupied by foreign troops? This is my first question. In addition, Foreign Minister Wu has said that we are carrying out an independent line in foreign affairs, but it seems that our attitude toward other countries is very much affected by certain countries. For example, in East Asia South Korea is very willing to develop friendly relations with us, but our relations with South Korea seem to be very much influenced by our relations with the DPRK. Is there any opportunity for us to develop friendly relations with South Korea in the near future? In particular, our country will send a sports delegation to participate in the Asian Games in Seoul. Was it necessary for us to consult with the DPRK before we decided to send such a delegation? [Qian Qichen] The question asked by this reporter is not quite right: Xisha Qundao is entirely under our control, and there is no question of foreign occupation. The case of Nansha Qundao is somewhat different, of course: Nansha Qundao has always been a Chinese territory. Now, Vietnam is the most adamant in opposing this, but Vietnam should look up its records before 1974—including official statements and notes, diplomatic documents, maps, textbooks, and other documents. What do these records state? All these records described Nansha as a Chinese territory at that time. In 1975 its attitude suddenly changed. It claimed that Nansha was Vietnam's territory. Why? Because it wanted to carry out its expansionist ambition. So it invaded Cambodia on the one hand and forcibly occupied some islands of Nansha Qundao on the other so as

to proceed with expansion. For the purpose of expansion, it changed its already-declared position. This is the actual state of affairs, where Vietnam has put forward a territorial demand on China.

The principal island of Nansha—Taiping Dao—is presently under the control of the Kuomintang authorities. They took over the island from foreign rule after the end of World War II.

After 1975 Vietnam occupied over a dozen of islands and reefs of Nansha. Its activities of seizing and occupying our islands and reefs did not cease before or after the conflict.

Now Vietnam has approached the International Red Cross and the United Nations, charging that China is hindering a rescue mission. Now all its naval vessels being used to occupy our islands and reefs are flying the Red Cross flag. Under such circumstances, Vietnam's proposal for negotiations is entirely hypocritical. As for some islands and reefs being occupied by other countries, the problems and differences involved can be solved through friendly consultations.

With regard to the question about South Korea, our policy is quite clear: We will not have bilateral relations with South Korea. This policy we pursue is aimed at promoting the relaxation of tension and maintaining stability on the Korean peninsula. Our participation in the Olympic games is an action in accordance with the charter of the International Olympic Committee. We have friendly relations with the DPRK, and each of us understands the other's policies.

[Zeng Tao] I would like to call for your attention. When asking questions, each friend please ask just one question.

[Female reporter] I am a correspondent from TIME magazine, and I would like to ask the foreign minister: How do China's much publicized recent activities in the Middle East; namely, the sale of Chinese missiles to Saudi Arabia, further China's professed policy of a peaceful and just settlement in the Middle East?

[Wu Xueqian] At the request of the Kingdom of Saudi Arabia, we have sold some non-nuclear, conventional surface-to-surface missiles to Saudi Arabia. The Saudi Government has committed itself not to transfer and not to be the first to use these missiles but to use them entirely for defense purposes. We believe the Saudi Government will honor its commitment. Therefore, the above move on the part of China is conducive to stability of the situation in Saudi Arabia and the Middle East. What we would like to point out here is that some people in Israel have openly threatened military retaliation against Saudi Arabia. This threat by Israel has met with condemnation from the majority of Arab states. We support the just position of these Arab states in opposing the Israeli threat of military retaliation.

[Reporter] I am from CHINA DAILY. My question is addressed to Foreign Minister Wu Xueqian. The riot in Tibet in March coincided with your trip to the United States. Did the riot bring you any trouble during your visit in the United States? What are the specific results of the visit? And could you please project the prospects for the development of Sino-U.S. relations?

[Wu Xueqian] I was in the United States when both incidents of disturbance occurred in Tibet. At the time of the first incident, I was in New York for the UN General Assembly session. When the latest incident occurred, I was visiting the United States at the invitation of U.S. Secretary of State Shultz.

When the first incident of disturbance occurred, some U.S. congressmen raised a big fuss about it, grossly interfering in China's internal affairs. At the time of the second incident; that is, during my recent visit to the United States, they made a small fuss, which did not affect my visit. The fuss they made, whether it was big or small in scale, was a gross interference in China's internal affairs on the part of a small number of U.S. congressmen. We firmly oppose it.

My recent visit to the United States has achieved some results. First, through my talks with U.S. Secretary of State Shultz and my meetings with President Reagan and some secretaries in charge of various U.S. departments, Sino-U.S. mutual understanding has been enhanced. During the talks and meetings, the two sides had similar views on some questions and differences on others. However, through these contacts, we eliminated certain bad atmosphere that had existed since the latter half of last year. During my visit, the U.S. authorities took the initiative to announce that they would reexamine and relax the restrictions on technology transfer to China. I hope that this announcement by the U.S. authorities will be put into practice as soon as possible.

At the meeting with President Reagan, we talked about the Taiwan issue, and President Reagan said that he welcomed the recent exchange of personnel between Taiwan and the mainland, and that the United States will try to foster an environment favorable to the development of such exchange of personnel. We hope that the U.S. authorities will do more things that are practical in promoting the establishment of the three links between the mainland and Taiwan. They can play a role in this regard.

[Reporter] I am with the ASSOCIATED PRESS. I would like to know: Is China making preparations right now for an all-out war with Vietnam over the Nanshas should it be called upon to fight a war there? And second, can China afford to fight a war there, an all-out war?

[Qian Qichen] We do not wish to see an all-out war. We have exercised utmost restraint. What we have carried out in the Nansha Islands is a scientific survey, entirely for peaceful purposes. The purpose of this scientific

survey is to monitor the sea, and this action also is designed to meet the proposal in a resolution passed by one of the organizations of the United Nations. The resolution proposed that ocean survey stations should be established at certain places and points by various countries, and for us in China it is in the Nansha Islands where we have established such a station. There will be no war in that area if Vietnam refrains from provocations against China and stops the seizure and occupation of the islands and reefs of the Nansha islands, and withdraws all its troops from these islands and reefs.

[Reporter] I am a XINHUA reporter. I would like to ask a question on Sino-Saudi relations. A few days ago, Vice Foreign Minister Qi Huaiyuan visited Saudi Arabia. During his visit, he delivered a letter from President Li Xiannian to the king of Saudi Arabia. Would you tell us what the purpose of his visit was? Does it indicate that diplomatic relations will be established between China and Saudi Arabia?

[Wu Xueqian] In recent years, Sino-Saudi relations have been developing in various fields. As far as China is concerned, we wish to see the earliest possible establishment of diplomatic relations with Saudi Arabia. This time, Vice Foreign Minister Qi Huaiyuan was well received during his visit to Saudi Arabia, and he is due to return today. So far I am not clear about what has come out of the talks.

[Reporter] I am a correspondent from Canadian Television. Moments ago, the vice foreign minister mentioned that there will be no war in the Nansha Islands if Vietnam withdraws. What if they don't withdraw? What happens?

[Qian Qichen] I think I have already answered the question. Our activities in the Nansha Islands are aimed at establishing a scientific service station there for scientific survey purposes. In my view, there is no possibility of an armed conflict between China and Vietnam if Vietnam refrains from making provocations against China. The 14 March conflict was entirely the making of Vietnam.

We have been carrying out scientific survey in that area. There is also the presence of some Chinese naval vessels there. The reason is that Vietnam is massing its naval ships in that area ready to provoke China. So we have to take some precautionary measures. We will by no means take the initiative to provoke an armed conflict in that area.

[Female reporter] I am a correspondent from Hong Kong. [preceding sentence rendered in English only] My question is about the reunification of China. Why is it that the mainland has so far failed to renounce the use of force on the issue of Taiwan? Is it because of the consideration of diplomatic factors, for example, the possibility of military interference by some other countries? Thank you.

[Wu Xueqian] Peaceful reunification of the motherland represents our fundamental policy. We are striving to settle the Taiwan issue by peaceful means.

With regard to the question raised by the reporter just now, the answer is: Since it is an issue for us Chinese, we should not make a commitment to any foreign country.

[Reporter] I am a reporter from Hungary. Mr Minister and Mr Deputy Minister: You have both visited East European countries and held talks with our leaders there on international problems. On the basis of your experience, do you think that there is a possibility of further consultations or exchange of views between China and Eastern European countries on international questions, especially on problems of peace, dialogue, and disarmament?

[Qian Qichen] There have very frequent exchanges between China and the socialist countries in Eastern Europe, including consultations on questions of foreign relations and international issues. This kind of consultation is beneficial to both sides and helps to enhance mutual understanding. We find that there are similar or identical views between us on many questions, though our views may differ on some questions. Consultations will help us to get to know each other's position better, and this is beneficial. We are prepared to continue with the consultations.

[Reporter] I am a reporter from RENMIN RIBAO. My question is as follows: Not too long ago, there was a train collision near Shanghai, and I wonder whether an agreement has been reached between the Chinese and the Japanese Governments on the issue of compensation for the casualties of Japanese students involved. Or, when are you going to handle this issue? Thank you.

[Qian Qichen] On 24 March, an unfortunate train collision occurred near Shanghai. Both Chinese and Japanese sides paid great attention to it, and the aftermath of the accident was handled speedily and properly. The vice foreign minister of Japan went to Shanghai to handle the case. Zhu Qizhen, our vice foreign minister, also went to Shanghai to help handle the case. Now the outstanding question is that of compensation. We think that this question needs to be settled through detailed discussions between the competent Chinese authorities and those of Japan. The governments and foreign ministries of the two countries will try to give a push and assistance from the side. And, I believe that the issue can be settled in a friendly manner.

[Reporter] I am a correspondent from TA KUNG PAO in Hong Kong. My question is that in the report on the work of the government last year, only 500 words were devoted to foreign relations, and the wording on the international situation and the question of war was as follows: That is, the factors for war still exist. But, in the report on the work of the government this year, nearly 5,000 words are devoted to foreign relations. It is an

increase of 10 times. And the wording is as follows: That is, there have been welcome trends in the international arena, and there are some disturbing factors. In last year's report, the wording factors for war was used, while in this year's report, the wording disturbing factors was used. What is the difference between the two different types of wording, and does the change mean that China has changed its views on the question of war?

[Wu Xueqian] The wording disturbing factors has a very broad meaning, including factors of war.

This focus of the portion of Acting Premier Li Peng's report on China's external work is on the current problems presented by the hot spots in the world and on China's relations with various countries in various parts of the world. This portion does not focus on an analysis of the current international situation. However, that does not mean that there has been any major change of view on our part on the international situation.

[Reporter] I am with the LOS ANGELES TIMES. I would like to ask: What was the approximate value of Chinese weapons delivered to Iran in 1987, either directly or by way of third countries? And are those sales being made to earn money for China's military modernization?

[Wu Xueqian] With regard to the so-called China's arms sales to Iran, I think I have answered questions of this nature scores of times, and most of the answers were addressed to our friends from the United States. Right from the outset of the Iran-Iraq war, China has been advocating an early end to the war. That is why we do not sell weapons to either Iran or Iraq. However, one should admit that both Iran and Iraq can obtain Chinese weapons from the international weapons market. On this score, I would like to mention two basic points. First, with regard to the enormous publicity in the U.S. press about the sale of Silkworm missiles, I would say that China has long adopted strict measures to prevent Chinese missiles from flowing into Iran through the international market. Second, it is awfully difficult for China to fully control the direction from which other types of ordinary, conventional Chinese weapons will go in the international market.

[Reporter] I am with the Central Broadcasting Station. It is known to all that China has always been opposed to the American Peace Corps and has called it the so-called Peace Corps. Why is it that during your visit in the United States, Mr Foreign Minister, you adopted a positive attitude to the Peace Corps' coming to China to work here?

[Wu Xueqian] The United States has repeatedly raised with us its intention of sending some volunteers from the United States to come to China to provide social service. After a long period of consultation between China and the United States, now China has agreed in principle to let some U.S. volunteers who advocate the development

of Sino-U.S. friendship come to China to teach English. This is an agreement in principle. Detailed discussions on the specifics are to follow.

[Reporter] I am with the ABC News. I have a question for Foreign Minister Wu. China by many reckonings is now the fifth largest arms seller in the world. What is the foreign policy purpose or the foreign policy objective of China for increasing sales of its conventional weapons abroad? And is there any country in the world to which China will not sell weapons.

[Wu Xueqian] Since the founding of New China, the relevant departments in the Chinese national defense industry have established business relations with their counterparts in some friendly countries. Besides, at the request of some developing countries, China has furnished these countries with conventional weapons designed to strengthen their defense capabilities. Our attitude on the question of arms sales is a serious and responsible one. We do not sell weapons to all countries in the world. The point is that there are many countries in the world which sell weapons to other countries. However, some papers tend to pick on China and whenever China sells weapons, it becomes the news maker. Now, what are the weapons flying around over the Gulf region? There are many types. At least I know there are such weapons as Stingers and Exocets. These weapons which are flying around over the Gulf region are not Chinese weapons. And why is it that some people always pester China with this issue?

[Reporter] I am with TASS. Could you please tell me under what conditions China will participate in the disarmament process?

[Wu Xueqian] On the issue of disarmament, because the United States and the Soviet Union possess the overwhelming bulk of nuclear weapons in the world, they bear a special responsibility. They should take the lead in effecting a drastic cut in nuclear weapons. China on its part welcomes the agreement reached between the United States and the Soviet Union recently on eliminating intermediate ranged nuclear weapons.

[Wu Xueqian continues] We also hope that an agreement will come out of the on-going discussions, talks between the United States and the Soviet Union, on a 50 percent cut in the strategic offensive nuclear weapons. However, this agreement, if it is reached, is not equivalent to a drastic cut in the nuclear arsenals of the two major nuclear powers—the Soviet Union and the United States. Our basic position is that these two major nuclear powers should stop the production, testing, and deployment of all types of nuclear weapons. We demand that they stop their ongoing arms race and destroy—destroy on a large scale—all types of nuclear weapons. Yes, destroy on a large scale all types of nuclear weapons.

Under such circumstances, China, as a nuclear weapon state will be willing to participate in a representative international conference on the further reduction of armament.

[Reporter] I am a reporter from XIN GUANCHANG Magazine, the Journal New Observance. My question is for Foreign Minister Wu Xueqian. To us, the Cambodian issue is one of the three obstacles in the restoration of party-to-party relations between China and the Soviet Union. Not too long ago, Sihanouk had several contacts with the Heng Samrin regime. What were the past principle and policy followed by the Chinese Government for the complete settlement of the Cambodian question? And, in light of the new situation, have we adopted a new policy? Thank you.

[Wu Xueqian] To be more precise, our position is that elimination of the three obstacles will bring about the normalization of state-to-state relations between China and the Soviet Union. With reference to the Cambodian question, our position is a consistent one. First, so long as Vietnamese troops still keep Cambodia under their occupation, we will support, we will provide firm support to the resistance forces in Cambodia. Second, the basis for a political settlement of the Cambodian question is the total pullout of the Vietnamese troops from that country. Third, we support a four-party coalition in Cambodia under the leadership of Prince Sihanouk. Fourth, China is ready to join in an international guarantee; that is, with reference to making Cambodia a neutral, independent, nonaligned, and peaceful country. We believe that, in this respect, the Soviet Union can do something. Because, in the absence of Soviet support, Vietnam's ability to sustain its war of aggression in Cambodia is just out of the question.

[Zeng Tao] Now the last question, please.

[Reporter] I am from AFP. North Korea has been condemned by a few countries; namely, South Korea, Japan, and the United States and a few other countries, of organizing the bombing of a South Korean airliner and China never condemned North Korea for that. I am wondering if China has any indication or any explanation from North Korea that North Korea never did that?

[Wu Xueqian] We are always opposed to all types of international terrorist activities. With regard to the hijacking incident not too long ago, South Korea condemned North Korea, believing it was engineered by North Korea. And, of course, it has also produced some materials to support its case. However, North Korea has firmly denied any role in the explosion. Furthermore, North Korea also condemned South Korea on this question. That is why China cannot take any position over this specific incidence. As I have just said, China is firmly opposed to international terrorist activities of all types.

[Zeng Tao] That's the end of the news conference. Good-bye.

NPC Presidium Nominates New State Leaders
HK060721 Hong Kong WEN WEI PO in Chinese
6 Apr 88 p 1

[Dispatch by WEN WEI PO reporters group: "NPC Presidium Makes New Personnel Arrangements"]

[Text] Beijing, 5 Apr—The Presidium of the Seventh NPC held its fourth session today to submit to the congress the list nominating Yang Shangkun for state president, Wang Zhen for vice president, Deng Xiaoping for chairman of the Central Military Commission, and Wan Li for chairman of the NPC Standing Committee. The list of other nominees and their resumes was distributed to all delegates today for deliberation. The Seventh NPC will enter the election stage tomorrow.

The NPC Presidium has nominated the following:

State president: Yang Shangkun

State vice president: Wang Zhen

Chairman of the PRC Central Military Commission: Deng Xiaoping

Chairman of the NPC Standing Committee: Wan Li

Vice chairmen of the NPC Standing Committee: Xi Zhongxun, Ulanhu, Peng Chong, Wei Guoqing, Zhu Xuefan, Ngapoi Ngawang Jigme, Banqen Erdini Goigyi Gyaincain, Seypidin Aze, Zhou Gucheng, Yan Jici, Rong Yiren, Ye Fei, Liao Hansheng, Ni Zhifu, Chen Muhua, Fei Xiaotong, Sun Qimeng, Lei Jieqiong, and Wang Hanbin.

Secretary of the NPC Standing Committee: Peng Chong

According to the election method stipulated by the First Session of the Seventh NPC, the number of candidates will be equal to the number of seats for the above-mentioned 23 posts. In addition, the Presidium has also nominated 144 members as NPC Standing Committee members. According to electoral law, the election method whereby candidates exceed the number of seats applies to elections to the Standing Committee. The delegates will have to elect 135 Standing Committee members out of the 144 nominees. The list of 144 members nominated by the Presidium includes Xu Jiatun, Huo Yingdong, and Ma Wanqi from Hong Kong and Macao.

The Presidium also nominated Ren Jianxin for president of the Supreme People's Court and Liu Fuzhi for procurator-general of the Supreme People's Procuratorate.

Besides Deng Xiaoping, the list of PRC Central Military Commission also included First Vice Chairman Zhao Ziyang, Executive Vice Chairman Yang Shangkun, and members Hong Xuezhi, Liu Huaqing, Qin Jiwei, Chi Haotian, Yang Baibing, and Zhao Nanqi.

NPC Constitution Revision in Spirit of Reform
HK061340 Beijing ZHONGGUO XINWEN SHE
in Chinese 1011 GMT 31 Mar 88

[Report by Jie Yun (6043 7301): "Jurist Wang Shuwen Says That the Purpose of Revising the Constitution Is To Consolidate and Develop the Fruits of Reforms and Opening Up to the World"]

[Text] Beijing, 31 Mar (ZHONGGUO XINWEN SHE)—Wang Shuwen, director of the Institute of the Science of Law affiliated with the Chinese Academy of Social Sciences and member of the Law Committee of the Seventh NPC, said during a special interview with this reporter today that the purpose of revising the Constitution at the ongoing NPC session is to consolidate and develop the fruits of reforms and opening up to the world and to provide a basis for the formulation of new legal provisions.

He remarked that the Constitution needs stability but that stability is relative.

The existing Constitution was formulated in 1982, he pointed out. Its enforcement for the last 5 years has proved that it complies with the people's minds and feelings. The draft revision submitted to the First Session of the Seventh NPC for examination only involves issues concerning private economic sectors and the transfer of the right to use land.

The constitutions of all countries are for the good of their politics and economies, and our Constitution should serve our reforms and opening up to the world, Wang Shuwen added. Great development has been witnessed in China's private economic sectors; therefore, we should use the Constitution and law to consolidate this reform achievement. It is the same with the transfer of the right to use land.

According Wang Shuwen, the state is considering drawing up a policy and law on the private economy so as to confirm its legal position. With regard to the transfer of the right to use land, there will also be a law to go by, which will be formulated in the future. But this issue is complicated and therefore needs further study.

While talking about the stability of a constitution, Wang Shuwen said that a constitution and law change with the constant development of politics and economy. This can be found in the history of the formulation of constitutions in every country in the world. People in foreign countries are generally of the opinion that the U.S. Constitution is stable. As a matter of fact, 10 of its

provisions were revised within 4 years after its formulation in 1787, and there have been 26 revision bills so far. The constitutions of other countries are also frequently revised. The current revision of our Constitution is also conducted by presenting revision bills. Our Constitution provides that we should persist in reforms and opening up to the world. Therefore, our current revision conforms to the spirit of the Constitution and does not affect its stability.

Bainqen Airs Opinions With Tibetan NPC Delegates
HK060903 Beijing RENMIN RIBAO in Chinese
4 Apr 88 pp 1, 3

[Report: "Bainqen Airs Opinions on the Nationality Question at the Tibetan Delegation Meeting Deliberating the Government Work Report"]

[Text] On 29 March, NPC Deputy Bainqen Erdini Qoigyi Gyaincain made a speech at the Tibetan Delegation's meeting to deliberate the Government Work Report. Excerpts of this speech follow:

The "Government Work Report" delivered by Acting Premier Li Peng and the reports delivered by three other responsible State Council comrades to the First Session of the Seventh NPC are, in general, very good. These reports adhered to the correct line, principles, and policies adopted since the 3d Plenary Session of the 11th CPC Central Committee, and embodied the general guideline of reform and opening up put forward by the 13th party congress. This is correct and I completely agree with it. I hope that people of all nationalities in the whole country, including the Tibetan people, will be united and work as one to implement the principles and policies, and to fulfill the tasks formulated by this NPC session so as to make greater contributions to the building of a prosperous and powerful socialist motherland. I believe that the people of all nationalities in the whole country will certainly do so.

I have been a deputy to the NPC from the First Session of the First NPC, except for the period of the "Cultural Revolution," so I can be called a veteran NPC deputy. As compared with previous NPC sessions I feel the current session has a better democratic atmosphere than ever before, so this NPC session will certainly be more successful and vigorous. For example, during the elections of the seven special NPC committees, some deputies stood up to air their differing opinions. This has never been seen before. People have made different comments on this phenomenon. Some people said that this was a good thing but others were simply puzzled. I also think that this is a good thing. The more than 2,000 deputies to the congress come from all parts of the country and they gather in Beijing to discuss our state affairs. It is natural that so many deputies are certain to bring along various opinions. As a Tibetan proverb goes, "a hundred people have a hundred ideas, and a hundred cows have a hundred pairs of horns." It is good to have

different opinions freely aired. This is a normal phenomenon, because it is impossible for all people to hold the same idea. Of course, different opinions may be correct or incorrect. Through full discussion the correct opinions can be pooled and correct decisions can be made according to the basis of the minority being subordinate to the majority. In the past we used to say that "three cobblers with their wits combined can match Zhuge Liang, the master mind." However, many excesses occurred in past political movements and caused many serious mistakes. In a certain sense, a major reason for these mistakes being committed was the lack of sufficient democracy. Of course democracy should also be subject to certain limits. Democracy beyond the limits becomes ultra-democracy. Our system is democratic centralism, and our centralism is based on democracy. This is a perfect democratic system. It will not do if we only have democracy without centralism; neither will it do if we have no democracy and centralism is excessive. We must act in light of the integrated principle of democratic centralism.

We are the Tibetan delegation. As a minority nationality deputy I would like to talk about the nationality issue. Our country is a unified country consisting of 56 nationalities. There are 55 minority nationalities aside from the Han Nationality. The 56 nationalities have common characteristics, and also have special characteristics.

As a common characteristic, all our 56 nationalities are united under the correct leadership of the CPC to build our lovely motherland into a modern socialist power with a high degree of material and spiritual civilization, and a high degree of democracy, and to make contributions to world peace. On the other hand each of these nationalities has its own special characteristics with its own history, culture, customs, and habits. For example, at today's meeting I am speaking in the Tibetan language and some comrades are speaking in Chinese; some comrades are wearing Tibetan robes and others are wearing the clothes of their own nationalities. That is to say we have various characteristics and have different ideas and sentiments. When facing these different characteristics we should show respect for each other; otherwise, there will be contradictions between different nationalities. Different nationalities have emerged and evolved in history and will continue to change in the future. There are now many nationalities in our country. In history sometimes one nationality was divided into a number of different nationalities; and sometimes a number of different nationalities become the same nationality. Such changes underwent a very long historical process, and such phenomena will continue to occur in the future. However, we oppose some people's attempt to assimilate the minority nationalities. In the past we committed a lot of "leftist" mistakes over the nationality issue. For example, in Tibet there is a perfect Tibetan language which can be written as well as spoken. However, in the past 30 years and more no importance has been attached to the use of the Tibetan language. As a result, many of our Tibetan comrades now cannot read

and write this language, and some of them even do not speak it. The masses are discontented with this state of affairs, and so am I. Last year, Comrade Ngapoi and I went to Tibet and jointly proposed a decision on learning, using, and developing the Tibetan language, but the implementation of this decision was not satisfactory. Of course, the occurrence of riots affected the popularization of the Tibetan language to a certain degree, and this is understandable. Not long ago, I returned to Tibet once again and heard that the decision on learning, using, and developing the Tibetan language sponsored by Ngapoi and myself had followed us back to Beijing last year. That is to say, in our nationality work there are still many problems such as this. Thus we should review our experience and draw a useful lesson, and should seriously and completely solve the existing problems so that our nationality autonomy can exist in reality as well as in name.

I completely agree with the principles and policies in the Government Work Report for dealing with a small number of splittists who stirred up riots in Tibet. However, we must also actively and rapidly solve the problems in our nationality work. Some trouble has occurred in Tibet in the past few months. Riots occurred several times from September last year to March this year. Such actions were extremely wrong. I have issued statements and made speeches to severely condemn such actions, but it should still be pointed out here that the riots were created by a very small number of splittists rather than by the Tibetan people. I recently heard that due to the occurrence of these incidents many people now cherish an erroneous idea about the Tibetan Nationality. They say that the Tibetans would not behave themselves if they were treated better and would behave themselves only when they were strictly controlled. This is an extremely erroneous idea. People who have this idea must be advised to change their mind; otherwise, the unity between the Han and Tibetan Nationalities would be damaged, and the national interests would be harmed. I hope that the Han and Tibetan Nationalities and all fraternal nationalities will remove their distrust and suspicions about each other, and will be really united as one to build our motherland. This is a fundamental guarantee for our country's invincibility in the world. I have always worked for this purpose during the past decades, and I hope that all deputies here and people of all fraternal nationalities will make joint efforts for the close unity of the whole nation.

As all people know we also committed serious "leftist" mistakes in the past over religious issues. Since the 3d Plenary Session of the 11th CPC Central Committee "leftist" mistakes in this aspect have been corrected, and the party's policy for guaranteeing the freedom of religious belief has been restored and implemented. Not only are people with religious beliefs glad to see this, but the international reputation of our party has also been greatly enhanced because of this.

However, we still need to further improve the implementation of our religious policy, and a great deal of work

should be done to this end. People who cherish the "leftist" idea think that religion is an unnecessary thing. This idea is rather dangerous. People with this idea will divorce themselves from the masses, especially in Tibet where all people there have religious belief. The conditions of implementation of the religious policy deeply affect the sentiments of the masses. Therefore our religious work in Tibet should be strengthened in the future. There were many deficiencies in this regard in the past. Some time ago, riots occurred in Tibet on several occasions and they were all stirred up by a very small number of lamas. However, many ordinary people in the streets immediately followed suit, indicating that the influence of religion among the masses is great. Thus we should handle religious work more properly. I must seriously warn against people who have the idea of "dealing merciless blows at the lamas and closing all the temples." We must never repeat the previous mistakes. We are glad to see that the leading comrades in the party Central Committee and in Tibet are still sober-minded on this issue.

Today, I also want to mention one point and that is that a small number of people in foreign countries have their own calculations about Tibet and try to split Tibet from China. I think that they had better give up this attempt now. Although there are still various problems in Tibet they are all our country's internal affairs and there is no room for interference.

NPC Deputies Continue Discussions, Suggestions

Tibetans Want More Favorable Policies
OW051815 Beijing XINHUA in English 1430 GMT
5 Apr 88

[Text] Beijing, April 5 (XINHUA)—Tibetan deputies to China's Seventh National People's Congress (NPC) today urged additions to the the draft enterprises law provisions favorable to the economic development of areas inhabited by minority nationality people.

This view was aired by Tibetan deputies in a discussion of the draft amendment to the Constitution and the draft enterprises law in Tibet Hall inside the Great Hall of the People here today.

Namgyai, vice-chairman of the autonomous regional People's Congress Standing Committee, said that the revision of the Constitution to allow the private sector of the economy to exist and develop within the scope prescribed by law is an embodiment of the theory of "China being at the primary stage of socialism" and is in line with China's present conditions.

However, he said, more specific provisions concerning the private economic sector should be formulated. Private enterprises should be treated as equals to collective and state-owned enterprises politically. The government should be daring as well as good at handling affairs concerning private enterprises.

He said that the draft enterprises law fails to take into consideration the special conditions of areas inhabited by minority nationality people. Governments of various provinces, municipalities, and autonomous regions should be allowed to work out their own rules for the implementation of the enterprises law to suit their different conditions.

Doje Cering, chairman of the autonomous regional government, noted that according to the enterprises law, enterprises have the right to negotiate and sign contracts with foreign parties, to budget for and use their own funds, and to employ or dismiss their staff members and workers in accordance with the provisions of the State Council.

"Such provisions may be suitable for other areas, but provide no special preferences for places like Tibet," he claimed.

He said that according to the law of regional autonomy in areas inhabited by minority nationality people, autonomous regions enjoy greater power than provinces. Therefore, the enterprises law should be worded as to allow enterprises to do so and so in accordance with the provisions of the State Council or organs authorized by the State Council.

Soinam Daindzin, commissioner of Linzhi Prefecture, said that laws on collective and private enterprises should be worked out as soon as possible so that these enterprises can also get legal protection.

Loga, mayor of Lhasa City, maintained that the enterprises law should give factory directors the power to hire and fire employees and form their own management groups.

The Tibetan deputies also discussed issues relating to agricultural production and education. Journalists from the U.S., Japan, Britain, and France sat in on the discussion.

Sichuan Deputies on Enterprise Law
*OW051151 Beijing XINHUA Domestic Service
in Chinese 0707 GMT 2 Apr 88*

[Excerpts] Beijing, 2 Apr (XINHUA)—What are the opinions of the NPC deputies about the Draft Law on Industrial Enterprises Owned by the Whole People, which has been submitted to the current NPC session for examination? Some plant directors, workers, and legal experts of the Sichuan delegation expressed their points of view. [passage omitted]

A Director Said: The Draft Law Has Too Much Restriction On Plant Directors [subhead]

Manager of Chongqing's Tianfu Cola Drink Industrial Company Li Peiquan said: Plant directors are all very anxious to have this enterprise law out so that it can be

a legal base of and protection for their plants. However, the current draft seems to display no faith in the directors, for it puts many restrictions on the directors while trying to give them more decisionmaking power. A "leash" is the most dreadful thing to a plant director. Too much restriction will result in dependence of a plant director on the state instead of assuming independent economic responsibility by himself. [passage omitted]

Director of No 2 Machinery Plant of Sichuan's Daxian County Jiang Dengfu shared the same point of view. [passage omitted]

A Worker Said: It Is Crucial To Enhance Workers' Role as Masters [subhead]

Woman worker of Chongqing No 6 Cotton Mill Zhang Xiaoling said: Since workers are the ones who engage in actual production of an enterprise, the key to the improvement of economic benefits is to arouse their enthusiasm and bring their creativity into play. Therefore, an "all-member contract" system is possibly better than a director contract system to mobilize the workers. She suggested: The draft should specify the objectives required of a director during his term and that he should report regularly to the workers' congress about his work.

Worker of Sichuan's Neijiang Cotton Mill Mou Ling said: The draft has not recognized workers' status and role as masters; it has not specified clearly either the democratic rights of the workers and how their rights and interests are protected or the status and role of trade unions. [passage omitted]

A Jurist Said: A Basic Law Is Unable To Contain Everything [subhead]

Director of the Law Institute of the Academy of Social Sciences of China Wang Shuwen said: Suggestions to the draft should be studied, absorbed, and adopted as soon as possible. However, it is unlikely that the enterprise law can absorb all the good suggestions. [passage omitted] The enterprise law is a basic law which contains only some basic things and principles; therefore, supplementary regulations stipulated by the State Council and by all localities are necessary to ensure its implementation.

Stress Stricter Law Enforcement
*OW051241 Beijing XINHUA in English 0634 GMT
3 Apr 88*

[Text] Beijing, April 3 (XINHUA)—Stricter law enforcement is important in building the socialist legal system, said Ma Yaoji, a deputy to the current session of the Seventh National People's Congress (NPC).

Ma Yaoji pointed out that failure to abide by the existing laws and to firmly mete out penalties to violators have become serious.

He called for further law education so as to make people, especially leading officials, more law-conscious, today's "BEIJING DAILY" reported.

Relevant regulations should be formulated at the same time so as to facilitate the implementation of the laws and regulations, he said.

With the beginning of the reform of the political structure, government departments should just perform the function as required and really do everything according to laws, he said.

Law enforcement departments should be reinforced with more trained people, he said, adding that China needs more lawyers and law firms to meet the needs of building the socialist legal system and to provide services to enterprises, institutions and the people.

He called for a gradual improvement of supervision over law enforcement, including supervision by the state organs, judicial departments, administrative organs and people's organizations.

Xinjiang Fears Coastal Development Rebound
HK0600831 Hong Kong SOUTH CHINA MORNING POST in English 6 Apr 88 p 7

[By Seth Faison]

[Text] Xinjiang delegates to the National People's Congress yesterday voiced fears that China's coastal development policy might leave them behind if efforts were not made to develop their own economy.

An NPC sub-group meeting recommended that greater use be made of Xinjiang resources and that trade over the Soviet border be expanded.

"If the coastal policies only look to exports, how are we in the western areas going to be able to modernise?" asked Mr Huang Baozhang, vice-chairman of Xinjiang's Government.

Political opposition to the coastal policy, now touted by China's leaders as an export-oriented way to fuel the nation's development, has centred on the disparities with poorer areas that may be created.

China's State Council has considered a plan to develop three special economic zones in the region, which shares borders with the Soviet Union, Afghanistan and Pakistan.

While such plans have not yet been publicised, delegates yesterday spoke optimistically about the possibilities of expanding cross-border trade, particularly with the Soviet Union.

"China is already open to the south. We should open the big Western gate," said Mr Tomur Dawamat, chairman of the Xinjiang Government.

Barter trade over the Soviet border resumed in 1983 and has flourished since then.

Chinese exports include leather goods, cotton and light industrial goods, while imports from the Soviet Union consisted mainly of refrigerators, steel and heavy machinery.

But political tensions between the two nations have apparently set limits to cross-border trade.

At yesterday's discussion, where optimism was only rarely tempered, delegates stressed that the economic benefits of trade would out-weigh political obstacles.

"The Soviet people want it and the Chinese people want it," said Mr Huang. "Our hopes are their hopes as well".

Mr Huang who, like other delegates, said he was in complete agreement with Acting Prime Minister Li Peng's work report, was not as sanguine about all economic reforms.

Reflecting the fear of inflation that grips many ordinary Chinese, Mr Huang spoke out strongly against any comprehensive lifting of price controls.

"If we take off limits on pricing, we'll lose control of all our planning," he said to a wide circle of nodding heads.

Mr Huang, in contrast to the views of many economists, said he thought the key to price reform was agricultural production, long considered a staple of socialist economics.

Mr Xu Peng, who chaired the meeting, also stressed the need for agricultural production.

As president of Xinjiang's Agricultural Institute, he also spoke on the need for adequate education in the field.

Miss Reyihan Ahbolize, a delegate and dancer from the Xinjiang dance troupe, read a speech pleading for more funds to support cultural activities of the Uygurs, the largest minority group in the region.

Mr Tomur also discussed the need for increased reliance on written law, as opposed to traditional practice—a long-stressed but infrequently implemented plan of China's Central Government.

Mr Abula Sibai, deputy chairman of the region's planning committee, agreed with him.

"For some cadres, whatever they say is the law. We must move away from this," he said.

Several other delegates also spoke of the need for an improved legal framework.

China's new joint venture law, some delegates said, could help Xinjiang.

Although not many foreign companies have ventured to the far west with their money, at least one such venture has already experienced problems.

Xinjiang Seeks More Soviet Investment
*OW060112 Beijing XINHUA in English 1103 GMT
5 Apr 88*

[Text] Beijing, April 5 (XINHUA)—Deputies from the Xinjiang Uygur Autonomous Region to the Seventh National People's Congress today called on the central government to pay more attention to the opening of China's border areas while implementing the coastal development strategy.

This view was aired by the deputies during their discussions in the presence of Soviet, U.S. and Japanese journalists in Xinjiang Hall inside the Great Hall of the People here this morning.

Huang Baozhang, vice-chairman of the autonomous region's government, said that Xinjiang shares a 5,291-kilometer-long border with five countries, including a 3,084-kilometer sector with the Soviet Union.

He said that these five countries provide a large market for Xinjiang's products although it may not be as big as the Southeast Asian market for the products of China's coastal areas.

"Although we have political differences with the Soviet Union, our two countries can develop economic cooperation and trade to the benefit of both. Quite a number of Xinjiang's products are needed by the Soviet Union while Soviet-made refrigerators, pianos and other goods are well received in Xinjiang," he added.

Tomur Dawamat, chairman of the region's government, cut in to say, "We welcome Soviet investors to open joint-venture or wholly-owned enterprises in Xinjiang."

Huang continued that conditions also exist for Xinjiang to develop processing industries with customer-supplied materials. He was once approached by Soviet trade officials, who asked whether Xinjiang can make felt blankets with Soviet wool.

To draw foreign investment and develop processing of customer-supplied materials, he said, Xinjiang has to formulate policies to grant foreign investors more preferential treatment, so that they can make more profits in Xinjiang than in the coastal areas.

He also suggested that the coastal areas process Xinjiang's long-fiber cotton and Hami melon for export.

Xinjiang deputies also made suggestions on formulating detailed rules for the implementation of the Law of Regional Autonomy in areas inhabited by minority

nationality people, developing the arts and medicine of minority nationalities, pushing forward educational reform and carrying out education among the people in social ethics, etc.

Heilongjiang Deputies With Deng Pufang
*OW051113 Beijing XINHUA Domestic Service
in Chinese 0735 GMT 2 Apr 88*

[By reporter Lu Yuan]

[Text] Beijing, 2 Apr (XINHUA) — Deng Pufang, chairman of the Presidium and director-general of the Executive Council of the China Federation of Handicapped Persons, held a discussion with some deputies from the Heilongjiang NPC delegation on the evening of 1 April. He said with emotion: "In the 3 decades and more since the founding of the People's Republic, this is the first time that the Government Work Report has urged the governments at all levels and the whole society to attach importance to the well-being of handicapped people. The vast number of handicapped people are very much moved and inspired by this."

Deng Pufang was sitting in his wheelchair in the reception room while his colleagues briefed the Heilongjiang deputies on the work for China's handicapped people and their problems in last few years. Deng Pufang talked with emotion about the fact that one out of every 20 Chinese is handicapped. He cited examples to show that the level of handicapped people's living standards, education, and employment is far below that of the average person. His remarks astonished the deputies present. As Sun Weiben, chairman of the Heilongjiang Provincial People's Congress Standing Committee, put it: "It is saddening."

Deng Pufang said: "The Federation of Handicapped Persons, set up not long ago, is a comprehensive organization for providing direct service to handicapped people. However, during the initial stage of socialism, our main task is to develop the productive forces, and the state is unable to put a large amount of manpower and material and financial resources on promoting the welfare of handicapped people. What should we do? We should take our own road. China should give jobs to a large number of handicapped people, and this is also a way to tap the potential of our labor force. I have told some foreigners that we stress human rights, too, and the most important one of them is the right to work and make contributions. To earn their own living will have a great psychological impact on the handicapped people. Foreigners are also interested in this idea. Therefore, we should explore various ways to employ handicapped people. Enterprises may share the hiring responsibility to ease the government's burden. The employment of a large number of handicapped people not only will benefit China, but also will set a precedent in the world and accumulate precious experience."

Deng Pufang also made two other suggestions — one is to establish a grass-roots social security network and create a good social environment and the other is to ask enterprises to help in the work for handicapped people. He said: "These practices can achieve great success. They don't need government funding, and they can benefit economic construction and promote reforms."

It was 2150. Deng Pufang and his colleagues explained to the deputies that they came in the evening because the deputies have meetings to attend during the day. He said: We come to brief you in hope that the work for hundreds of millions of handicapped people will be understood and supported by local governments.

Sun Weiben said: We must help the handicapped people on account of humanitarianism, social stability, and economic construction.

Shaanxi Deputy Proposes NPC Debates
OW060126 Beijing XINHUA in English 1215 GMT
5 Apr 88

[Text] Beijing, April 5 (XINHUA)—A deputy from Shaanxi Province to the current session of the Seventh National People's Congress (NPC) proposed that the NPC introduce a system of debates so that deputies and leaders of departments concerned can exchange views on major laws and proposals.

Xiao Zhengcheng, secretary of the party committee at the Xian Aircraft Manufacturing Company, said today at an NPC panel discussion that such debates will help get proper explanations and answers from authorities concerned on the suggestions and opinions they have raised.

For instance, he said, in their discussion on the draft law on industrial enterprise owned by the whole people, some deputies expressed their objection to an article of the law, but they have never heard any explanation on why the objection was turned down.

He suggested people involved in drafting the law and deputies (?express) their views through debates.

In [words indistinct], he proposed, debates be held between ministers and deputies on major issues.

Two Western journalists witnessed the panel discussion of the Shaanxi delegation today, while some 90 other reporters from overseas observed discussions of other delegations.

Suggest TV Entertainment Channel
OW060123 Beijing XINHUA in English 1447 GMT
3 Apr 88

[Text] Beijing, April 3 (XINHUA)—Forty-nine deputies to the National People's Congress have submitted a motion suggesting the central TV and broadcasting stations add a special channel and frequencies devoted to entertainment programs.

The deputies include Ye Peiying, associate professor at the Central Conservatory of Music, Kuang Jianlian and Li Weikang, opera singers, and Wang Ming Chun, Hong Kong TV artist.

The motion points out that these stations cannot meet the diversified needs of the people for operas, music, and drama.

It says although Chinese artists have created many good works in recent years, which are warmly received at home and abroad, they do not have enough opportunities to be presented. It is therefore necessary to add a new TV channel and radio frequencies devoted to them.

It also suggests that some of the entertainment programs should be dubbed in English or presented with English subtitles for foreigners who wish to appreciate Chinese art.

Call for Help to Mountain Areas
OW060419 Beijing XINHUA in English 0843 GMT
5 Apr 88

[Text] Beijing, April 5 (XINHUA)—Measures to accelerate economic development in China's mountainous areas are urged by 32 deputies to the Seventh National People's Congress in a joint motion.

As one measure, the deputies propose building fairly large [word indistinct] profitable factories in mountainous areas to increase their financial capability.

Another measure involves major cities helping these areas achieve prosperity.

These deputies call for efforts to help the areas ship out commodities instead of raw materials by expanding their processing capacity.

They also propose that a bank for the development of mountainous areas be set up to extend interest-free or low-interest loans for productive projects.

Their joint motion, entitled "On Changing the Economic Vicious Cycle in Mountainous Areas", was initiated by Wu Huapin, secretary of the Yunyang Prefectural Committee of the Chinese Communist Party in Hubei Province.

Wu summarized the cycle as "three lows and one high"—low input, low output, low income and high expenditures.

Citing Yunyang Prefecture as example, Wu Huapin said the prefecture's investment in fixed assets now accounts for only 0.3 percent of Hubei's total.

Its per-capita value of industrial and agricultural output was only 599 yuan in 1986, less than half of the per-capita average in Hubei Province. Per-capita income was only 246 yuan, far below the provincial average.

The prefecture has to receive state subsidies totalling 100 million yuan annually. Now 42 percent of local farmers are still below the poverty line of 200 yuan in annual income per head.

The economic gap between mountainous areas and other areas has widened in recent years, rather than narrowed, Wu said.

For instance, the prefecture's per-capita value of industrial and agricultural output dropped from 53 percent of Hubei's per-capita average in 1980 to 43 percent in 1986.

Defense factories, China's No 2 motor vehicle plant and railways take up 33,000 hectares of fertile croplands in Yunyang since the founding of New China in 1949.

These factories now hand over one billion yuan in profits and taxes to the state a year. "But our local people have benefited very little from these projects although we have paid dearly for them," Wu complained.

According to Wu, providing relief funds to mountainous areas every year is just like blood transfusion, which cannot eliminate their poverty.

The fundamental way out is to adopt special policies to enable mountainous areas to develop on their own, he emphasized.

Deputy Urges Improved Health, Safety
HK060600 Beijing CHINA DAILY in English
6 Apr 88 p 3

[Text] Measures must be taken to improve labour safety and working conditions, guarantee workers' living standards by providing subsidies to fight inflation and improve the quality of consumer goods, said Ni Zhifu, a deputy of the First Plenary Conference of the Seventh National People's Congress, and Chairman of the All-China Federation of Trade Union.

Many serious accidents have occurred since the beginning of the year, he said.

In a one-month period, 10 serious accidents left 322 people dead, the most serious one being the train crash near Shanghai on March 24 which killed 28, including 27 Japanese high school students.

Most of these accidents were caused by slack and inappropriate management practices as well as violations of working rules and regulations, Ni said.

Occupational diseases such as pneumoconiosis (lung disease caused by inhaling dust) have increased recently because of insufficient prevention and treatment measures. Deaths from the disease have surpassed the total number of people who died in industrial accidents.

Every year, the State has to spend more than 1 billion yuan on treating pneumoconiosis patients, including compensation and wages.

Ni said the main reason for the accidents and occupational diseases is that leaders at all levels have long attached great importance to production, while neglecting safety and environmental protection. Safety measures have not been included in the responsibility system and supervision, management and inspection work have not been well integrated.

Concerning inflation, now a worry for most people, Ni said, subsidies will be granted on six main food products, which he did not name.

Statistics show that 21 percent of urban families have experienced a drop in actual family income. Most of them work in low-profit enterprises, primary and middle schools, hospitals and offices. The figures include more than 16 million pensioners.

Propose Probe of Transport Accidents
OW051806 Beijing XINHUA in English 1441 GMT
5 Apr 88

[Text] Beijing, April 5 (XINHUA) — Deputies to China's Seventh National People's Congress (NPC) propose setting up a committee to investigate major transport accidents that have occurred in China.

The motion, drafted by noted economist Jiang Yiwei and signed by 38 deputies, says that the proposed committee should carry out earnest investigation into the accidents, trying to find out their causes and work out measures to prevent future accidents.

The motion points out that serious accidents in transportation have occurred successively over the past year, resulting in great losses in human lives and property. Besides, these accidents have also killed and injured quite a few foreign friends, affecting China's repute.

Although those responsible for these accidents have been dealt with, the motion says, no effective measures have been taken to prevent similar accidents in the future. NPC deputies attending the current session have expressed great concern about this issue.

The motion proposes setting up an NPC transport safety and accident investigation committee headed by a vice-chairman of the NPC Standing Committee and composed of technical and managerial experts selected and nominated by the NPC Standing Committee from among the deputies as well as representatives of departments concerned to look into these accidents and report the findings to the NPC Standing Committee for examination.

Sichuan Governor Notes Development Plans
OW060053 Beijing XINHUA in English 0716 GMT
5 Apr 88

[Text] Beijing, April 5 (XINHUA)—Southwest China's Sichuan Province will develop its rich natural resources faster to expand basic industries in an effort to help coastal areas pursue an export-oriented economy, according to Governor Zhang Haoruo.

The strategy for the development of China's coastal areas also concerns the hinterland, said Zhang, a deputy to the Seventh National People's Congress now in session in Beijing.

Coastal areas and hinterland supplement each other, because the former has technology and funds and yet lacks resources whereas the latter is rich in resources but short of technology and funds, he explained.

Sichuan, with a population of 100 million, will supply raw materials to the coastal areas on the principle of mutual benefit, while introducing managerial expertise and technology from there.

According to Zhang, Sichuan ranks first in China in terms of hydropower resources. The Yalong River alone has a hydropower potential of 10 million kilowatts. The Jinsha River, the upper reaches of the Yangtze River, abounds in hydropower resources.

The governor pledged to develop the hydropower resources to expand energy-consuming raw material processing industries.

The Panzhihua Iron and Steel Company is one of China's leading steel and rare metals producers. Natural gas is plentiful in the Sichuan basin.

These materials are indispensable to coastal areas in developing an export-oriented economy.

Sichuan does not have the same good conditions for expanding an export-oriented economy as coastal areas, the governor said.

But it will participate in what he called the "international economic cycle" by developing basic industries and introducing technology from coastal areas.

It can export goods via Shanghai through the Yangtze River known as a "golden waterway". The Sichuan Basin will develop into a major export-oriented agricultural production center. Sichuan also plans to expand the processing of goods for export.

In so doing, Zhang Haoruo said, it will be easier for the coastal areas to supply Sichuan with funds, technology and managerial expertise.

This will help Sichuan accelerate economic development, making it more able to aid coastal areas in pursuing an export-oriented economy, he noted.

State Council Reforms Proposed
OW050802 Beijing XINHUA in English 1313 GMT
4 Apr 88

[Text] Beijing, April 4 (XINHUA) — While showing support for the proposal for restructuring the State Council, deputies to the Seventh National People's Congress have put forward suggestions on the structural reform.

Tong Shubao, a NPC deputy from northwest China's Gansu Province, described the proposal as "comprehensive", saying that the State Council has set a good example in changing the functions of government offices.

He also called for firm and effective measures to avoid a previous vicious cycle of streamlining - swelling - streamlining again - swelling again.

Liang Zhengyuan, a deputy from Guangdong Province, expressed his worry that the establishment of new corporations following the abolishment of some ministries will add one more administrative tier.

He said, it is necessary to streamline government offices and institute a public servant system simultaneously.

Yang Wengui, Li Jinyun, Wang Zhongying and Hu Kai, deputies from Guangdong, proposed the Ministry of Culture and the Ministry of Radio, Film and Television be merged.

"Practice in the past dozens of years has indicated the necessity to retain the Ministry of Railways," said Guangdong Deputy Liu Fuzhi.

Liang Lingguang, former Guangdong Provincial Governor, proposed that the State Council set up a guidance committee of food and nutrition.

Xu Kunrong, Hu Shuo, Qin Zhaozhen and Yu Zhenxin, deputies from Jiangsu Province, expressed a worry over whether decisionmaking powers will be effectively delegated to lower levels because the proposal has not listed specific measures.

They were also worried that government organs will continue swelling because no regulations on their sizes have been worked out; government officials will work the way they did in the past; misconduct will not be checked.

Du Ziwei, also a Jiangsu deputy, proposed that the State Council formulate regulations defying the functions of the corporations in explicit terms.

Lu Wenfu, another Jiangsu Deputy, described delegating powers to lower levels as "crucial" to restructuring government organs. The failure to restructure government offices in the past was due to failure in delegating powers to lower levels, he said.

Low efficiency in government offices is mainly because they have not instituted a system of promoting competent workers while demoting incompetent ones, according to He Shan'an, another Jiangsu deputy.

Farm Production Concerns Voiced
HK050847 Beijing CHINA DAILY in English
5 Apr 88 p 4

[By Zhang Yuan]

[Text] "When we first arrived in Beijing, we saw so many luxury imported cars on the streets but hardly any which had been made in China, and we wondered why this money had not been saved in order to import chemical fertilizer and plastic film for farmers?" several NPC deputies told CHINA DAILY.

They said people in the cities were always complaining that the prices of non-staples and meat were too high, but they did not know that the industrial products needed for agriculture were rising even higher, with the result that farmers were hardly able to afford to carrying on farming.

Diesel oil has now risen to 2.6 yuan per kilogramme and urea to 1.2 yuan per kilogramme. So there exists a strange phenomenon—the farmers who produce the most grain sometimes lose the most money. Prices of agricultural production materials have risen more than tenfold in recent years but grain prices have gone up only slightly. Many farmers do not invest in land, but spend a lot of money on marriage and funeral arrangements or on building houses.

"That is a dangerous sign for a country with such a big population," said Zhang Honghua, an NPC deputy from Nanyang District, one of the important grain production bases in Henan Province.

The State promises to give farmers 5 kilograms of fertilizer at the State-fixed price if they send 50 kilograms of grain to the State, but many farmers can get only half of that amount. In some places, fertilizers and diesel oil for farmers are even resold at a profit by local officials.

Chinese farmers are honest. They do not complain about giving the State part of their grain as land taxes, but they are unwilling to send the State all of their grain because of the low prices, another deputy said.

In China, he said, all industries should support the development of agriculture, but the fact is they entrap farmers by either raising prices or selling them fake or low quality products.

The enthusiasm of farmers for growing grain was great when the production responsibility system was first adopted several years ago, but in the past two years, it has been dampened by the great price differences between industrial and agricultural products.

"When agriculture prospered and there were good harvests, no one cared about farmers and they had to sell their grain or pigs by way of the back door. When agricultural products became fewer and prices rose, all rushed to show their concern for farmers. What farmers need is a stable, long term agricultural policy," Zhang Honghua said.

He suggested the State should first open a price market for agricultural products and then establish risk funds, which will protect the interests of farmers and enable them to get profits in either harvest or famine years, adding that prices of industrial products, as agricultural production materials, should be given a maximum limit.

Deputy Kang Rongren said the State has made three mistakes in agriculture during the past few years. First, the estimate for the demand of agricultural products proved inaccurate. In 1985 farmers lost money from raising pigs due to a false idea that society would need more meat. Second, he said, the agricultural product prices were too low; selling 50 kilograms of grain could get farmers only 20 yuan.

And third, the investment in agriculture was too little. Investment in the improvement of agricultural production was reduced. The total increase of production materials was low and prices soared. There are still some who prefer to invest in farming, but the shortage of production materials makes them unable to do so. Kang estimated that this year the production of oil-bearing crops will be reduced—which does not mean farmers planted less but that most of the crops were frozen last winter because there was a shortage of plastic film. It was the same with vegetables last winter.

Zhang Weisheng said that whenever agriculture faces a crisis, the first affected will be light industry. So far, the market in cities for light industrial products such as watches, bicycles, sewing machines, television sets and tape recorders is almost saturated while in the countryside the market still has great potential. But if farmers get poorer and poorer, they have no money to buy and the sales of those products will certainly be much lower. Then heavy industry will be affected because it has close connections with light industry.

So policies to enrich farmers are greatly needed, NPC Deputy Bai Shuangli said. One practical way is to develop more rural enterprises. But three things hinder that: shortages of energy, funds, technology and equipment.

Zhang Honghua emphasized at the end of the interview that understanding the law of value is important in both cities and countryside. Citizens and consumers of agricultural products, should be told that prices can rise as well as fall, and farmers, the producers, should also be taught that prices of their products can fall as well as rise. All of this rising and falling is just the movement of the law of value.

CPPCC Members on Economy, Tibet, Education
OW050953 Beijing XINHUA Domestic Service
in Chinese 1236 GMT 2 Apr 88

[By reporters Zou Aiguo, Duanmu Laidi]

[Text] Beijing 2 Apr. (XINHUA) — Qian Jiaju, the nearly 80-year-old vice chairman of the China Democratic League, has become the center of attraction for the media at today's CPPCC meeting. On the rostrum of the Great Hall of the People, Qian fervently expressed his views on three popular topics of commodity prices, education, and social conduct. In his 30-minute speech, CPPCC members applauded 31 times.

The First Session of the Seventh CPPCC National Committee held its third meeting this afternoon. Seven CPPCC members ascended the rostrum to deliver their views on state affairs. Li Xiannian and other executive chairmen of the Presidium were seated on the front row of the rostrum. Gu Mu, Zhao Puchu, Hu Sheng, and Sun Xiaocun presided over the meeting.

In his speech, Qian Jiaju said the problem of commodity prices should be "dealt with through drastic measures instead of stopgap measures" and "handled in accordance with objective economic rules instead of administrative power." He proposed liberalizing prices and extensively readjusting workers' wages. He said: From a long-term point of view, only by liberalizing prices can enterprises perform with vitality. After prices are liberalized, the law of value will show its forces, and production will increase accordingly. When prices are reasonable and production increases, commodity prices will surely drop.

He said: To bring about an efficient economic cycle for the national economy so that China will follow objective economic rules in deed and not just in words, we must bring the capital construction investment under control. He suggested suspending all capital construction projects for 5 years except for the energy and communications projects and those already under construction.

"Ensure production safety to prevent major mishaps" is the purport of a speech by Li Rongguang, secretary of the All-China Federation of Trade Unions. He said: In recent years, there have been many disastrous accidents in industrial production, transportation, and capital construction, which have caused great losses to reform, national construction, and the people's lives and property. He believed the reasons for these mishaps are: 1) Bureaucraticism in leadership and lax management, 2) ill-qualified workers who cannot keep up with the times, 3) defective enterprise contracting and leasing systems, and 4) a flawed legal system. He said: To effectively prevent serious mishaps, we must vociferously call on competent departments and leaders at all levels to take production safety seriously, to draw up effective contingent measures and regard a good job in ensuring production safety and labor protection as a major part of strengthening enterprise reform. We must also delve into the root of those mishaps to put an end to the situation of too many accidents at enterprises.

Gyibug Puncogcedain, vice-chairman of the Tibet Autonomous Regional Government, delivered in Tibetan a speech entitled: Oppose Separation, Strengthen National Unity, Contribute to the Reunification of Our Motherland. He stressed that Tibet is an inseparable part of China's territory and that the separation scheme of a handful of separatists can never prevail. He emphatically pointed out: In the recent rioting, the separatists have seriously violated both the PRC Constitution and criminal law. He said that the government will exercise powerful dictatorship [qiang you li di zhuan zheng 1730 2589 0500 4104 1413 2398] over the principal rioters.

Zhang Zhigong, director of the Text Book Research Committee under the State Education Commission, on behalf of eight members of the China Association for Promoting Democracy, stressed the problems of elementary education. He believed that problems arisen from the weak elementary education like a lack of schools, poor quality, and a serious shortage of qualified teachers and necessary facilities, call for deep thought and concern. Their suggestions: 1) The premier of the government and the general secretary of the party organize leading comrades in charge of finances and authoritative persons to conduct an in-depth, scientific sample survey of the current situation of the educational undertakings. 2) The CPC Central Committee mobilizes leading comrades at all levels to earnestly conduct reeducation on the development of educational undertakings. 3) The NPC further improves the educational legislative work and supervises the execution of educational laws. 4) To

address the most pressing problem, the departments concerned should resolve to increase the salary of teachers of primary and high schools at all costs. If this is done, the teachers can be relieved from the predicament of being forced to take time and energy from their teaching to increase income elsewhere.

Chen Guanghui, associate professor of the Shanghai Engineering Institute; Feng Tiyun, vice chairman of the Central Standing Committee of the China Democratic National Construction Association (also on behalf of Tang Yuanbing, Chen Mingshen); Jian Fuyi, member of the Hong Kong and Macao group, all took the floor to express their views on establishing a legal framework for political consultation and institutionalizing it; on enhancing guidance, supervision, and management of private enterprises; and on developing the economy in a practical and realistic way.

CPPCC Member on Recent CPPCC, NPC Sessions
HK060256 Hong Kong ZHONGGUO TONGXUN SHE
in Chinese 1402 GMT 4 Apr 88

[Report: "Wu Zuguang, CPPCC National Committee Member, Comments on the NPC and CPPCC Sessions"]

[Text] Hong Kong, 4 Apr (ZHONGGUO TONGXUN SHE)—According to a report from Beijing, today, Wu Zuguang told reporters in Beijing that the current NPC and CPPCC sessions mark the beginning of China's democratic politics and he hoped that in the future, China will become more open and democratic.

Since 1979, Wu Zuguang has been member of the CPPCC National Committee for three terms. When reviewing the experience in the past 10 years in the CPPCC, he said: "Like the central policies which sometimes became relaxed and sometimes became tense, the atmosphere in the CPPCC also changed continuously." He told the reporters that the two sessions of last year and this year were the most impressive ones for him. "Last year, I was deeply disappointed. Before the meeting, the CPC Central Committee issued its Document No 8 which criticized me by name, so I lost my right to speak at the meeting. Things are rather different this year, and the meeting is now much more open. This is also demonstrated in the official newspapers. Some Hong Kong reporters told me that the coverage of RENMIN RIBAO astonished them."

Wu Zuguang said that all these changes are closely related to the 13th CPC National Congress. The party congress charted the course of reform and opening up. Inspired by the party congress, the current NPC and CPPCC sessions can substantially expand the scale of democracy.

As for the work of the CPPCC, Wu Zuguang said that this organization has not fully played its supervisory role on the basis of democracy. Although many opinions were aired by the CPPCC members, little result was achieved.

He said that at present, an effective way to exercise democratic supervision is the expression of critical opinions through the mass media. News media should faithfully report the actual situation and let the people know the truth.

Wu Zuguang also praised the method of differential elections. "Although the number of candidates are merely 5 percent more than the number of the elected members, this already indicates the power of democracy. Some people still oppose the method of differential elections, and a number of people in my group said that differential elections are not democratic and prevent those who should be elected from being elected, so they say that the number of candidates should still be equal to the number of the elected. This opinion is completely untenable. At a press conference of the NPC, Zeng Tao said that differential elections should make candidates 20 percent to 50 percent more than the elected, and I am waiting for the realization of this arrangement."

CPPCC Member, Cultural Vice Minister on Reforms
OW051044 Beijing XINHUA in English 0925 GMT
4 Apr 88

[Text] Beijing, April 4 (XINHUA)—A senior Chinese official has stressed the need to focus China's cultural reform on eliminating distribution equalitarianism and delegating powers to lower levels.

Vice-Minister of Culture Wang Jifu and a member of the Seventh National Committee of the Chinese People's Political Consultative Conference, described equalitarianism as an outstanding problem affecting China's cultural development.

Under the present practice the state cooks a potful of rice for cultural troupes, which will distribute their share equally among their actors and actresses.

Every cultural worker is given the same pay, regardless of his or her performance, making it impossible for talented people to spring up.

With a population of one billion, China has only five million cultural workers, but less than one-tenth of them are professional ones, Wang said.

Owing to irrational organizational structures, many competent cultural workers are unable to display their talents, causing an enormous waste of personnel, he pointed out.

In carrying out the cultural reform, it is necessary to institute what he called a double-orbit system, whereby the state manages a few major cultural troupes, with noted artists as their mainstay.

These troupes are required to represent China's artistic standards and perform great programs.

Meanwhile, Wang said, it is imperative to invigorate other cultural troupes, which can be run by collectives or individuals.

The vice-minister said: "In adopting [words indistinct] form, we must follow the principle of encouraging what is useful, permitting what is unarmful, resisting what is harmful and banning what is illegal."

All cultural reforms must serve socialism and the people, he emphasized.

A fundamental aim of the cultural reform is to stimulate the initiative of most people. "That's why we must correctly handle the relations between people," he said.

In the course of the cultural reform, different cultural workers with different accomplishments should be allowed to widen their gap in earnings.

He stressed the need to eliminate equalitarianism by rewarding outstanding, hard working and competent cultural workers, and instituting a rational system for cultural workers to compete with one another.

He also called for measures to enable cultural workers to move freely in China and hold exchanges with their foreign counterparts.

"If we shut our artists inside China, we will never be able to train first-rate artists in the world," he said.

The vice-minister proposed that more flexible government policies be formulated to make it easier for accomplished artists to go abroad. "For example, they may be issued special passports with which they can go abroad at any time necessary."

It is inadvisable to adopt the same and one policy on different cultural workers, he said, noting that reform measures should be taken to enable every cultural worker to display his or her talent.

NPC, CPPCC Groups Visit Nuclear Training Center
OW051041 Beijing XINHUA Domestic Service
in Chinese 1449 GMT 3 Apr 88

[By reporter Chen Yun]

[Text] Beijing, 3 April (XINHUA) — The country's first simulated nuclear power plant training center recently completed in China has aroused interests from the NPC deputies from Hong Kong and Macao to the Seventh National People's Congress and the members of the Seventh National CPPCC Committee from Hong Kong and Macao.

When Zheng Fuyu, deputy director of the training center told the visiting NPC deputies and CPPCC members that those who will operate the Dayawan Nuclear Plant will be trained here, Hu Honglie, a CPPCC member and

a well-known lawyer in Hong Kong, said: This time, we will feel more relaxed about the Dayawan Nuclear Plant. After we go back, we will tell the Hong Kong residents about what we saw here so that everyone will feel relieved.

This training center is set up on the campus of the Qinghua University. The sizes of the simulated nuclear power plant and facilities inside are the same as the real Dayawan Power Plant. Computers will be used to run the entire simulated plant.

Also shown by the Qinghua University were architecture designs, computer software, VSLI chips and other up-to-date achievements.

Foreign Reports on Study Abroad Policy Refuted
OW051825 Beijing XINHUA in English 1519 GMT
5 Apr 88

["China's Policy of Sending Students Abroad Remains Unchanged"—XINHUA headline]

[Text] Beijing, April 5 (XINHUA)—"Sending students to study abroad is China's longstanding policy which remains unchanged and will never change," stressed Huang Xinbai in an interview here today.

Huang, a full-time member of China's State Education Commission, is in charge of the work for sending Chinese students abroad.

He quoted reports from some foreign correspondents: "China plans a drastic reduction in the number of its students abroad, especially those in the United States." "...The new policy would limit the proportion of Chinese students in the United States to twenty percent of the total number of Chinese students overseas.... That would mean a maximum of 600 new Chinese students arriving in the United States each year." "Beijing has set a new, lower cap of 3,000 a year on the number of students it will finance abroad." And so on.

In a word, Huang said, they tried to tell their readers that China's policy on sending students abroad "has changed."

Huang pointed out that these reports were groundless. Some of them were based on hearsay. And some others were fabricated with ulterior motives.

With the approval of the State Council, Huang said, the State Education Commission publicized a regulation entitled "some temporary provisions for sending people to study abroad" on June 11, 1987. "There is no change in the principles set forth in the regulation," he added.

China has provided three means for students to go abroad to study, Huang said, namely, through government channels, with the help of the institution or department in which the student works, and through self-sponsorships. Since 1980, the annual number of students sent to several dozen countries by the government has averaged around 3,000. This year's figure is expected to be roughly the same.

A rapid increase has been registered in the number of students sent by institutions or departments in the past few years. In 1987, the number of such students went up to some 5,000. This year, the figure is expected to remain the same.

Neither the central government nor the State Education Commission controls or for that matter knows the exact number of self-financed students going abroad. Their number has been estimated at a minimum of 3,000 per year.

Of all the students studying abroad, including the state-funded and self-financed, those going to the United States have accounted for the majority. The same is also true for this year.

Huang disclosed that some 4,600 students will be sent to the United States this year, of which 600 are state-funded and 4,000 are financed by various institutions and departments. This figure is about the same as that for last year. As for the self-financed students to the United States, the policies will remain unchanged.

Obviously, Huang said, it is utterly groundless to say that the number of students to be sent abroad, particularly those sent to the United States, shall be cut substantially, and still less true to make claims about a "new policy" for those students.

"We decide on the number of students to be sent abroad according to our needs, and by ensuring that what they learn can be applied to the development of our country," Huang said, adding that "at the same time we should make sure the students to be sent are qualified." He also stressed that China should send students to different countries to study their strong points.

Huang said, "in light of our internal situation, it is only normal to make necessary adjustments in our policy for the state-funded students studying abroad in order to meet the demands of our four-modernization drive."

According to Huang, these adjustments fall into three categories:

— adjustment of the choices of subjects the students shall study - more students are encouraged to major in applied fields of study.

— adjustment in the categories of students sent abroad - as China is much more capable in training undergraduate and graduate students, it will not, generally speaking, send students abroad to study undergraduate courses, and will reduce the number of students studying abroad for master degrees. At the same time, it will send abroad more people who will pursue advanced studies and visiting scholars (including those who have received a Ph.D. in China or abroad). These are applicable to all state-financed students and regardless of the country of study.

— adjustment in the choice of countries - based on China's needs, it shall send some more students to those countries which are capable of accepting more Chinese students but have taken very few so far.

Huang said that a large number of students concentrated in one or two countries is not a good thing, even viewed from the interests of the students themselves.

For example, Huang said, in some foreign schools there are so many Chinese students that it is hardly [as received] for them to see their advisors. How can they study well under such circumstances?

Huang recalled that in the past nine years since China started its reforms and opening policy, the country has sent more than 40,000 state-funded students to study in at least 70 foreign countries and regions. Up to now, 20,000 of them have finished their studies and returned home.

China has sent students abroad in a planned way and according to the urgent needs of rejuvenating the Chinese nation. This is a reasonable course of action for any sovereign state, he added.

"It is the students' unshirkable duty and responsibility to come back on schedule to serve the country when they have finished their studies," Huang went on. This also echoes a common desire of a majority of the Chinese students studying abroad. The governments in many developed countries have also expressed their understanding of this position and have cooperated with China in this respect.

Huang said it is necessary to set a time limit for the state-financed graduate students in their pursuit of a degree in foreign countries.

However, he pointed out, that should not be regarded as a mere limitation. "It means, first of all, that during the absence of the students, the institution or department that has funded them has to make such arrangements as to find other employees to fill their vacancies and collect extra funds arising therefrom. In that sense, setting a time limit for the those state-funded students abroad is both a guarantee and an urge. It will urge them to finish their studies within a scheduled time," Huang said.

Such limitations, of course, will not be applied to the self-funded students, he added.

The actual amount of time involved in the limit was set in accordance with the schedules of school systems in various countries and with the experiences of former students, Huang said.

Taking university graduates who study in the United States for a doctorate over a 5-year period as an example, Huang said, "such a time frame is formulated according to the U.S. educational system, the experiences of a majority of Chinese graduates who have finished their studies there in recent years, and after soliciting opinions from many Chinese and American experts."

As to the students who have sufficient reasons for extended study periods, they may send their application and get approval from the relevant institutions, Huang said.

Practice shows that the majority of Chinese students studying abroad can finish their studies in the set period, he noted. A recent sample survey of 100 students in the U.S. showed that 76 of them obtained their doctorate degree in five years and 22 in five to six years.

Huang noted that based on experiences in a good number of countries, post-doctorate research is not strictly considered as an academic degree.

Such pursuit is beneficial to some fields of science in China, he said, adding that China supports it provided it is reasonable and meets the needs of the state and of the institution or department that sends them abroad.

The Chinese students who are conducting such research in the U.S., Huang went on, are growing larger than the number of their American counterparts.

A few students recently issued an open letter saying that the time limit governing post-doctorate research is not reasonable, he said.

Huang said that the letter may have been written without a full understanding of the situation or without knowing the truth. Huang said that such an action is improper.

It is understandable, he said, for the Chinese students studying abroad to have various considerations in designing their development. "But," he said, "I hope they would consider this by putting the interest of the nation first, and try to well combine the two," he said.

Operator Blamed for Shanghai Train Accident
OW051658 Beijing XINHUA in English 1500 GMT 5 Apr 88

[Text] Beijing, April 5 (XINHUA)—The train accident which took place March 24 near Shanghai was caused by violation of railway traffic rules by two drivers of train no 311, which collided head-on with train no 208, according to a report by an investigation team.

Driver Zhou Xiaoni has been arrested and assistant driver Liu Guolong is being detained by the police for questioning.

Their violation of the rules caused train no 311 to roll out of the Kuangxiang railway station despite a prohibiting red signal, and resulted in the collision.

Under a directive from Acting Premier Li Peng, and with the help of the Shanghai Municipal Government and the Ministry of Railways, investigators from the National Committee for Industrial Safety visited the crash site, inspected the wreckage and conducted experiments with the ill-fated train's brake system.

State Council Thanks Train Crash Rescuers
OW061228 Beijing XINHUA Domestic Service in Chinese 1258 GMT 5 Apr 88

[Text] Beijing, 5 Apr (XINHUA)—Message of Consolation from the State Council.

Shanghai Municipal People's Government and Nanjing Military Region:

After the occurrence of the accident in Shanghai on 24 March when train Nos. 311 and 208 collided on the Shanghai-Hangzhou outer circular railway line, you promptly organized the departments concerned to rescue the injured, protect the remains of the dead, and enthusiastically and considerately receive the families, relatives, and friends of the victims. You did a great deal of work and fulfilled your task in a satisfactory manner.

In doing the rescue work and dealing with the aftermath of the accident, party, government, and military organs coordinated closely with all communities and sectors of society, while commanders and fighters of the PLA and armed police force, public security police, medical personnel, restaurant workers, and staff members and workers of foreign affairs, public health, civil affairs, postal and telecommunications, customs, and civil aviation units made positive efforts on their own initiative to overcome every difficulty and willingly took up the hard work to rescue the dying and heal the injured. They thus demonstrated the lofty spirit of humanism.

The State Council hereby expresses heartfelt consolation and appreciation to you and, through you, to all the organs, PLA and other units, and individuals that took part in the rescue work and in dealing with the aftermath of the accident.

State Council

5 April 1988

Effects of Transport Ministry Decision Viewed
HK060835 Hong Kong SOUTH CHINA MORNING POST in English 6 Apr 88 p 7

["Comment" by David Chen]

[Text] The reversal of a decision to set up an umbrella Ministry of Transport could have serious political repercussions throughout the country.

Seldom in the history of the People's Republic has there been a case where a decision was announced so openly and confidently, only to be withdrawn within days of its implementation. Quite apart from the fact that such an about-turn could prompt yet another spate of no-confidence votes in the administration, there is now a serious possibility that far more than the reversal of the decision was at stake.

It is common knowledge that the amalgamation of the many branches of China's rickety transport systems was the idea of one engineer who is fully aware of the problems that have been plaguing the country for more than a century.

That engineer is about to become communist China's fourth Prime Minister.

Official explanations for the change of heart yesterday, given by the NEW CHINA NEWS AGENCY, were hardly adequate and convincing. In the words of State Councillor Mr Song Ping, the plan for the umbrella ministry was withdrawn following "different views" of delegates to the National People's Congress.

Mr Song did not say just what those "different views" were or who had expressed them.

In fact, in the hundreds of thousands of words that the state news agency has been churning out since the NPC was convened, there has not been the slightest hint of any dissension about the umbrella ministry—until now.

If this problem existed for over 10 days without coming to the public notice, one is tempted to ask if there are any others that may explode unexpectedly before the NPC concludes next Wednesday.

Transport and energy have always been China's two thorns hindering progress. And, for more than four decades, these problems have always been attacked half-heartedly.

This is the first time the authorities have taken steps to remedy them. Beijing chose to create two major ministries to co-ordinate (Chinese like to use the word "streamline") its various functions.

These are commendable steps and one man has the courage to tackle them—Mr Li Peng, who is expected to head the new Government with his own chosen team.

But with the scrapping of the Transport Ministry proposal, Mr Li's credibility is at stake.

The unprecedented move has sent shock waves throughout the country and abroad and any predictions about the course taken by the NPC will remain, at best, an educated guess.

Beijing University Poster Criticizes Li Peng
HK060657 Hong Kong MING PAO in Chinese 6 Apr 88 p 1

[Special dispatch from Beijing by MING PAO reporter: "Big-Character Poster at Beijing University Implies that Li Peng's Promotion Is Unreasonable"]

[Text] Yesterday, another big-character poster appeared in Beijing University, which said: "Strange! Did not grasp education well but yet was promoted!"

Although no name was identified on the big-character poster people could easily link it to Li Peng, minister in charge of the State Education Commission.

The big-character poster, which was put up the day before yesterday and torn down 2 hours later, criticized the policies of "self-salvation" and "paid services," put forward by Li Peng in his education work report.

The poster said that asking education circles to engage in "self-salvation" was unrealistic and the "paid services" policy could only result in diverting the strength of both the teachers and students. It pointed out that the state should take realistic measures rather than mouthing empty words in order to attach importance to education. There were hundreds of millions of illiterate people in China. Without the efforts of intellectuals China's reform and construction were doomed to failure.

The big-character poster, signed by "several young teachers," was torn down less than 2 hours after it was put up. Lu Hao, chairman of Beijing University Student Association, said that in accordance with school regulations anyone can tear down big-character posters if they are unsigned. This is nothing to worry about. He said it was

common practice in Beijing University to air views through big-character posters, but he was unable to explain why the posters were often torn down very soon after they were put up.

Lu Hao said there was controversy among the teachers and students in Beijing University over the "paid services" mentioned by Li Peng in his report. They also strongly demanded that the government work out concrete plans rather than merely putting forward "strategic policies" for education.

Beijing University students have also complained about the low quality of some NPC deputies. They felt disappointed when they read the published speeches by some NPC deputies. Some students even wanted to invite NPC deputies to their school to exchange views and discuss questions with them. Lu Hao said quite a few deputies do not even know how they came to be elected deputies to the NPC and how many voters they represent. At present, since most deputies have been recommended by political parties and groups, the election characterized by having more seats than candidates is not as significant as it should be. He held that along with the development of democracy, the number of recommended deputies should be reduced. They should be replaced by those directly elected by the people.

Minister on Government Structural Reform
HK051321 Beijing RENMIN RIBAO in Chinese
24 Mar 88 p 2

[Article by Reporter Dong Huanliang (5516 3562 0081): "Brave Exploration, Positive Progress—He Guanghui Answers RENMIN RIBAO Reporter's Questions on Restructuring Experiments in Medium-Sized Cities"]

[Text] The pilot schemes for government structural reform in 16 medium-sized cities have been carried out for over a year. How are things going on there and what influence has the reforms produced on the whole country? On the eve of the opening of the Seventh NPC session, this reporter interviewed Comrade He Guanghui, Deputy Minister of the State Commission for Restructuring Economic System, and asked him about these questions.

Dong Huanliang: Comrade Guanghui, after the Seventh NPC Session, the State Council will begin the administrative structural reform. Before that, the State Council approved the pilot schemes for administrative structural reform in 16 medium-sized cities, including Dandong, Weifang, Anyang, and Jiangmen. What results have been achieved so far in these reforms?

He Guanghui: In May 1986, the State Council approved the pilot administrative structural reform schemes for 16 medium-sized cities. For the past year and more these cities have bravely taken reform steps by overcoming various difficulties under the transition conditions

whereby market systems were not fully developed and the higher authorities had not arranged such reforms. In Dandong City, reforms were carried out in the industrial, commercial, and financial departments, with 43 administrative institutions being disbanded and more than 1,600 cadres being transferred to other jobs. In Weifang City, reforms were carried out in the industrial, commercial, transportation, urban construction, financial, scientific and technological, and educational departments, with 22 administrative institutions and 14 administrative companies being disbanded or merged into other departments. In Anyang City, administrative reforms were started in both the party leading organs and in government, with three city party committee departments and 40 city government institutions being disbanded or merged into other departments. As a result, the number of city-level party leading organs and government institutions was cut by 40 percent, and this city also disbanded 59 provisional institutions. Baoji, Zigong, Changzhou, Maanshan, Huangshi, Tianshui, and Jiangmen Cities have also carried out different degrees of reform; and Luoyang and Hengyang Cities have made useful explorations by carrying out partial reforms. Through reforms, these cities have basically realized the separation of government from enterprises. The streamlined governments have strengthened their functions for serving enterprises and the administrative reforms were welcomed by enterprises in general. As I know, 90 percent of the enterprises in these cities held that the administrative reforms were successful or rather successful.

Dong: What role has the pilot administrative reform schemes played in the State Council's administrative structural reform which will soon begin?

He: The medium-sized cities made explorations and innovations by grasping the crucial link of changing the government management functions. Since the founding of the People's Republic we have carried out three rounds of large-scale administrative structural reforms throughout the country, but we still cannot break through the "limitations" of cutting down the number of institutions and functionaries. With the passing of time the old situation reappeared. We lacked experience in transforming the management functions of the government and in gradually realizing indirect management.

The cities which are carrying out the pilot reform schemes transformed the government functions by first transferring the enterprise management functions to the enterprises, letting the comprehensive economic management departments perform comprehensive economic management functions, and transferring social management functions to towns and districts. The party and mass organizations were organized in urban districts. The government departments only managed the whole industries rather than directly managing the enterprises. All such reform steps have provided useful experience for the formulation of the State Council's reform scheme.

Comrade Xiaoping said that "streamlining the administrative structure is a revolution." The pilot reform schemes showed that the traditional concepts in people's minds were the first obstacles that must be removed in this revolution. For this purpose the cities which are implementing the pilot schemes have taken steps to intensify reform propaganda through radio broadcasts, television, the press, and mass consultations and dialogue. Meanwhile, they have also taken effective measures to help cadres lose their misgivings. For example, some cadres were afraid that the party leadership might be weakened, the enterprise operation might get out of control, the material and fiscal allocation channels might be blocked with many government institutions being disbanded, and reform might adversely affect production. The settlement of such problems in cadres' minds ensured the smooth advance of the administrative structural reform. At the same time their successful reform experiments have paved the way and provided useful experience for the State Council's structural administration.

Dong: At present, some comrades think that the medium-sized cities have been advancing at a faster pace in administrative structural reform than the State Council, and the administrative structure at the lower level now does not fit in with that at the higher level. This may give rise to ill-coordination in administration management. What is your opinion on this issue?

He: The functions of the central government may not be the same as those of a local government, and things may also be different in various localities and departments. So the setup of administrative institutions need not to be the same between different administrative levels. This is a basic principle for the administrative structural reform. In the past, under the conditions of the product economy, governments at various levels exercised direct economic management and were responsible for the distribution and transfer of funds and production materials. Thus the structure of administrative institutions in local governments had to be in line with that of the central government. We are now developing a planned commodity economy, and the government will exercise mainly indirect management, with funds, materials, and other production factors being supplied through markets. Corresponding adjustment of the government structure is necessary. Some comprehensive economic management and supervisory departments such as the finance, taxation, industrial and commercial administration, and auditing departments, should be set up in governments at all levels; but the economic departments which manage one specific trade or industry should be set up by the local governments according to their specific needs and local conditions, and the functions of these departments should also be changed. In future, the present structure with identical government institutions setup at different levels should be resolutely changed. The criticisms of urban administrative reforms by a small number of departments were incorrect.

Dong: After the State Council's structural reform of begins, what should the cities implementing the pilot schemes do to further deepen their reforms?

He: The beginning of the State Council structural reform does not indicate the end of the task for the 16 implementing the pilot schemes; instead, they are required to further advance their explorations and experiments. These cities will firmly take steps to deepen their reforms in light of the spirit of the 13th Party Congress: First, they will more clearly differentiate the functions of the city party committee from the city government, further reform the functional organs of the city party committee, and disband those party organs which fulfill similar functions to the corresponding government institutions.

In principle, the party organizations in enterprises and social institutions at the grass-roots level should be subordinate to local party committees. Second, the functions of the comprehensive economic management departments of the city government will be further changed, and their internal structure must also be further streamlined so as to gradually establish a set of work methods and work systems that are suited to the socialist commodity economy. The cities implementing the pilot schemes will further strengthen the management means and personnel in the economic regulatory, supervisory, and information departments. Third, the power limits of governments at city, district, and county levels will be further expanded, and the government functions in managing public works and undertakings and in providing social services will be strengthened. Cities will also delegate more powers to their subordinate districts and counties. Fourth, they will strengthen the training of cadres. Incumbent functionaries and new government officials especially will be organized to study reform theories, professional knowledge, and modern management methods. Meanwhile, they will also be trained through practice. The improvement of personnel quality will ensure the improvement of the government administrative operation, and will create conditions for our country's future civil service system.

Ministry Officials Prefer Enterprise Jobs
OW052333 Beijing XINHUA in English 0826 GMT
3 Apr 88

[Text] Beijing, April 3 (XINHUA)—Over 80 percent of the functionaries at the Ministry of Electronics Industry prefer to quit their posts and find new jobs in enterprises, according to a spokesman for the ministry.

The ministry, soon to be merged into a new Ministry of Machinery and Electronics Industries once approved by the current National People's Congress session, is facing a personnel cut, and most of its staff have asked for transfer to enterprises rather than to the new ministry, he said.

The functionaries, who intend to quit, include young college graduates, middle-aged experts, as well as bureau directors. Most of them would like a new job in corporations and research institutes, and some of them wanted to take a post in grassroots enterprises.

This is a sharp contrast to the situation a year ago, when the ministry was facing a personnel cut of nearly two-thirds, and most of the staff were reluctant to leave the ministry, the spokesman said.

Since the last streamlining, six corporations and five research centers have been set up by the former ministry functionaries. These corporations and centers have proved successful and become attractions for those who are still at the ministry, the spokesman said.

Some of those who intend to quit also expect a better pay and a more secure job in enterprises. As the functions of government administration are changing, any job in the new ministry will be a challenge to those who are accustomed to the traditional way of administration, the spokesman said.

Chen Muhua, Song Jian Plant Trees
OW060938 Beijing Domestic Service in Mandarin
1030 GMT 3 Apr 88

[From the "National Hookup" program]:

[Text] Comrades Chen Muhua and Song Jian today went to Changping County to take part in tree-planting activities. An area of Changping County was assigned to State Council organs to do the greening work.

Hu Qiaomu, Jiang Chunyun at Kite Competition
OW051047 Beijing Television Service in Mandarin
1100 GMT 2 Apr 88

[From the "National News Hookup" program]

[Excerpt] The Fifth Weifang International Kite-Flying Fair and the Third National Kite-Flying Invitational Tournament were declared open at a solemn ceremony at the Weifang Stadium on the afternoon of 1 April.

The kite-flying fair is the largest ever held here. Kite-flying teams from 13 countries and regions, including Australia, Britain, and Japan, and 21 delegations representing 15 provinces, municipalities, and autonomous regions as well as 2 kite-flying sports associations are taking part in the gala competitions.

Hu Qiaomu, member of the Standing Committee of the CPC Central Advisory Commission; Jiang Chunyun, governor of Shandong Province; and leading comrades of Weifang City attended the opening ceremony. [passage omitted]

Hong Xuezhi, Other PLA Leaders Plant Trees
OW051043 Beijing Television Service in Mandarin
1100 GMT 5 Apr 88

[From the "National News Hookup" program]

[Text] Hong Xuezhi and Liu Huaqing, deputy secretaries general of the Central Military Commission; Yang Baibing, director of the PLA General Political Department; Zhao Nanqi, director of the General Logistics Department; and PLA deputies attending the Seventh NPC session went to Yabao Road to take part in tree planting activities organized by Beijing Municipality. Many deputies said they found it rewarding to take time to plant trees for Beijing Municipality's tree planting day.

Chi Haotian Interviewed on Army Reform
HK060829 Beijing ZHONGGUO XINWEN SHE
in Chinese 1234 GMT 5 Apr 88

[Report by Li Wei (2621 0251)]

[Text] Beijing, 5 Apr (ZHONGGUO XINWEN SHE)—In an interview with our reporter, Chi Haotian, the PLA chief of general staff, said the Chinese Army must act in accordance with the general situation of our country, which is characterized by taking economic construction as the central task, and must also make use of the limited military expenditure to improve its weaponry equipment and increase its fighting capacity.

He said: China's military thinking is advanced. But it should be supported by advanced weaponry equipment that suits the people's army and people's warfare as well as contemporary world trends. In the contemporary world, which is characterized by explosive technology, we cannot go on using the "millet and rifle" equipment we used in the past. Otherwise we cannot effectively defend our motherland.

He continued: In certain high-tech spheres, "we are substantiating and expanding our equipment."

The chief of the general staff emphasized that the Chinese Army should have advanced equipment. However, the military strategy of active defense is not, and will not be, changed. China does not want an inch of land of other countries and never allows others to seize an inch of land from it. "The fact of the Chigua Jiao Incident on 14 February was: the Vietnamese came to our territorial waters and territory and fired at us first, disregarding our warnings. Then we returned fire. This was a reasonable and restrained counterattack in self-defense."

Chi Haotian held that as a result of implementing a series of policies over the past year or so, such as streamlining and reorganizing the troops, reducing the Army by 1 million men, and establishing group armies, the quality of our army has been improved. The Chinese Army is an army capable of fighting and capable of devoting its all to the motherland.

Chi Haotian said: Now we have comparatively perfect arms of the services. The problem is that compared with the developed countries, some of our weapons and equipment are still not advanced. "We recognize this gap between our country and the developed countries, but we are never willing to lag behind. We should have all those things that foreign countries have and even those they do not have."

He continued: Reform of the Army should be carried out with increasing combat effectiveness as the center. This is a starting point of our army reform and a standard for judging its success and failure as well. To speed up and deepen reform in the army, it is necessary to strengthen overall design and macro-guidance and develop military sciences.

Chi Haotian pointed out: At present, some people have an incomplete understanding of the guiding ideology of shifting from being based on fighting large-scale wars, fighting early wars, and fighting nuclear wars onto the track centering on the construction of modernization in army building. As a result, their sense of national defense has been weakened. A main expression of this is that they do not care about the construction of national defense and do not take good care of military installations. They have also indiscriminately assigned purchase tasks to the Army and invented all kinds of names for collecting funds from the Army and asking the Army for financial assistance. Therefore, it is necessary to strengthen nationwide education in the sense of national defense so that people can prepare themselves for danger in times of peace. At the same time, it is necessary to work out as soon as possible a law on protecting national defense installations and a reserve force mobilization law as well as some regulations on forbidding assigning tasks to the Army, collecting funds from the Army, and asking the Army for financial assistance.

He pointed out: While stressing "without industry we cannot be rich, without agriculture, there can be no stability, and without commerce, the economy cannot be enlivened," it is also necessary to stress "without the Army, we cannot have peace."

Calls For Weapons Development
HK060522 Beijing CHINA DAILY in English
6 Apr 88 p 1

[By staff reporter Wang Gangyi]

[Text] Research and development of new weapons systems is a key aspect in the Chinese army's modernization drive, says Chi Haotian, Chief of the General Staff of the People's Liberation Army.

In an interview with CHINA DAILY in Beijing yesterday, Chi said the world is in an age of "science and technology explosion. Many foreign countries are striving to equip their armies with the latest technology, and the Chinese army is facing the danger of lagging further behind."

The 58-year old Chi, who replaced Yang Dezhi as the PLA's chief of general staff last year, said that to safeguard the country's sovereignty and contribute to the maintenance of world peace, "the PLA must raise its combat capability through the development of new weapons systems.

"We will not only research and develop what foreign armies already have, but also research and develop what they don't have."

He stressed that the modernization of the army is a complex engineering project that requires co-ordination and planning. The current tasks of the PLA, according to Chi, are:

- to adapt its military strategy to the new international environment and to the requirements of the nation's security;

- to make the organizational and personnel set-up more rational and efficient;

- to raise combat capability through the development of new military equipment and facilities; and

- to intensify and improve training and education.

He said there is no doubt that the PLA's development should be subordinate to the country's overall economic construction.

But he said some people have misinterpreted the army's strategic changes from preparation for an "early war, a big war and a nuclear war" to peace-time development centred on modernization.

In recent years China has been saying there will be no stability without agriculture, no vitality without commerce and no prosperity without industry, and all of these are correct, he said.

"But the problem is that many people have not realized that there will be no security without the People's Liberation Army."

He called on the whole nation to attach great importance to the issue.

He emphasized, "History tells us that without a strong national defence, the nation will submit itself to foreign oppression and there will be no guarantee of smooth economic construction.

During the past 40 years since the founding of the People's Republic, there has been continual fighting along China's borders, and the country is yet to be reunified completely, he said.

"Confronted with such an arduous situation," he said, "the country must maintain a powerful army."

In another development, it was announced that a civil cadre system will be introduced in the PLA to increase the number of specialized technical personnel in the Chinese armed forces and improve their quality.

The new system represents a major reform in the PLA's modernization programme, according to a recent conference of army leaders in charge of personnel affairs.

Under the new system, specialized technical personnel such as scientists and engineers—who are now employed as officers in the army—can be employed as civil cadres instead, *LIBERATION ARMY DAILY* reported yesterday.

One of the benefits of this system is that civil cadres can serve longer in the army than officers and can get promotion by merit for their technical work, the paper said.

The new civil cadre system is required by the army's modernization programme to allow officers with technical skills to provide more stable and better service in the army, said Ye Zhaohong, director of the Personnel Department of the Shenyang Military Command.

The system will also help China's armed forces expand their specialized technical personnel by recruiting from outside the army, an official of the Commission of Science, Technology and Industry for National Defence said.

More than two-thirds of the cadres in the commission are specialized technical personnel engaged in research and development of weapons and equipment for the PLA, including intercontinental missiles, nuclear weapons and satellites, said Huang Ning, director of the Cadre Personnel Department of the Commission.

A number of the technical officers in the commission will become civil cadres under the new system, Huang said.

PLA Paper on Strengthening 'Key Troops'
HK051507 Beijing JIEFANGJUN BAO in Chinese
19 Mar 88 p 1

["Weekly Commentary" by Dongfang Tie (2639 2455 6993): "What We Can Learn From Other Countries' Practice of Strengthening Key Troops"]

[Text] A few weeks ago I mentioned in the article "A Tendency in Foreign Military Reform" that the military activities of various nations are subordinate to their

economic activities. Does this mean that these countries no longer attach importance to enhancing the combat effectiveness of their armies? No. According to various reports, all nations are still making great efforts to strengthen their armies, but their methods are different from before.

Take the United States as an example. The first thing that Secretary of Defense Carlucci had to do after taking office in the Pentagon was to cut down on the military budget to a degree that made the American generals yell. But Carlucci declared repeatedly that he followed George Washington's idea that "making good preparations for war is the most effective way to safeguard peace." How then did he solve the contradiction between "making good preparations for war" and cutting down on military expenditure? On the one hand, he reduced a large number of noncombat personnel and streamlined the command structure; on the other hand, he continued to strengthen the key troops by guaranteeing "high-quality equipment and training" for them so that they "can immediately make decisive responses." This point was indicated in his annual report to Congress on 18 February.

Now, let us look at Britain. Although Britain has substantially reduced its actual military expenditure, it still decided to build an air mobile brigade recently, which will mainly shoulder antitank tasks. In order to give "special support" to this brigade, Britain will also build an air regiment for the ground force equipped with helicopters. The cost of building this unit will cut down on appropriations for other army units.

The practice of strengthening the key units is rather common. Not long ago, Italy decided to build a rapid interference unit so as to solve their "lack of a rapid deployment unit with good combat readiness." Early this month the defense minister of Canada announced three measures for strengthening defense in the northern part of the country. One of these measures was to raise the mobile combat effectiveness of the troops stationed in the polar region. Although it is reported that the Soviet Army is discussing the Army's participation in some "social service" work, it still repeatedly stresses the necessity of combat troops to maintain "a high degree of combat readiness."

In many countries, the armies are undergoing quiet changes. On the one hand, they have to subject themselves more to the needs of economic activities; on the other, they give more priority to building key troops so as to improve their combat effectiveness and to maintain necessary national defense. Thus these countries are not simply reducing the size of their armies, but are streamlining their armies and making them more efficient in military operations.

What can we learn from these changes?

First, the major powers pay more attention to coping with the threats in the distant future in their general defense construction. In modern times, the confrontation between the superpowers and the danger of world war still exist, so a country's political and economic interests must still be safeguarded by military strength. National defense strength is still as vitally important as food and clothing for people's livelihood. The practice of strengthening key troops indicates that the nations still maintain high vigilance over the international situation. However, peace and development are the two major commitments of all countries in today's world. All countries are facing the challenge of competition in their comprehensive national strength.

Excessive military expenditure will directly affect the country's economic development. So, all countries are exploring ways to adapt national defense construction to the needs in speeding up national economic development, and at the same time to prevent their defense strength from being weakened and their long-term national interests from being harmed.

Second, many countries are trying to prevent blind and unnecessary defense investment, and are trying to achieve the greatest results through their current defense investment. In this regard, a typical example was an article published by former U.S. President Nixon, who said critically that after the end of the Vietnam War the United States "used too much resources to prepare for a major war that may never occur" and neglected the capability of interfering in the Third World battlefields through low intensity conflict. That is to say, the erroneous strategic plan affected the achievement of satisfactory results in defense construction. Today, both NATO and the Warsaw Pact are talking about changing their strategic theories and basing defense on offensive capabilities. This change will make them reconsider the concrete practice of building their armies.

Third, in the next few years the major countries will not sharply raise the growth rate of their military budgets, and may even keep their military budgets at a standstill. The costs of buying weapons, due to economic and technical reasons, may increase by 5 to 10 percent a year. In these circumstances, many countries will have to pay special attention to the readjustment of the military structure.

Importance of PLA Sciences Academy Noted
HK050645 Beijing JIEFANGJUN BAO in Chinese
18 Mar 88 p 2

[Article by Zheng Wenhan (6774 2429 5060) and Wang Chenghan (3769 6134 3352): "Giving Play to the Leading Role of Military Theories in the Modernization of Our National Defense and Army—Marking the 30th Anniversary of the Founding of the Academy of Military Sciences"]

[Text] It has been 30 years since the founding of the Academy of Military Sciences in 1958. It was founded with the approval of the Party Central Committee and

Chairman Mao. Looking back on the course of the Academy's history over the past 30 years, we realize that the Party Central Committee, the Central Military Commission, and proletarian revolutionaries of the older generation have lavished their loving care and kind attention on the growth of the academy. Marshal Ye Jianying was the main founder of our academy, and its first president and political commissar. He made an outstanding contribution to the building of the Academy of Military Sciences, and to promoting and developing undertakings of modern military sciences with Chinese characteristics. On the occasion of celebrating the 30th anniversary of the founding of the Academy, we profoundly cherish the memory of Marshal Ye Jianying, and extend our lofty respects to previous leaders of the Academy of Military Sciences, and comrades who once worked in the academy.

Following the 3d Plenary Session of the 11th CPC Central Committee, as in the whole country and the entire army, a new period of development occurred in the Academy of Military Sciences as a result of bringing order out of chaos, and restoring the party's ideological line of seeking truth from facts. Leading comrades of the Party Central Committee and the Central Military Commission repeatedly issued important instructions on the research projects and work of the Academy of Military Sciences. On the 20th anniversary of the founding of the Academy of Military Sciences, Chairman Deng wrote inscriptions, urging us to "inherit Mao Zedong military thinking, and to study the people's war under modern conditions in order to develop military sciences in our country." In 1987, he wrote the title of the Academy of Military Sciences. This showed profound concern and greatly encouraged the work of our academy. Since 1982, Vice Chairman Yang Shangkun and other leading comrades of the Military Commission have listened to reports on the work of our academy on three occasions. They have urged the Academy of Military Sciences to provide the Military Commissions and the General Departments with strategic proposals and advisory services, to grasp well investigations and studies on the important issues of the building of the Army, and to actively make proposals on the national defense buildup, and the building of the Army.

During the past 30 years, thanks to the direct leadership of the Party Central Committee and the Central Military Commission, assistance actively provided by various big units in the whole army, and the unremitting efforts of comrades of the whole academy, our Academy of Military Sciences has succeeded in gradually perfecting and rationalizing its research institutes, in constantly expanding its fields of research, in gradually improving various rules and regulations governing the administration of scientific research, and in enhancing the level of administration for scientific research. The quality of our contingent of scientific research is improving, and the age and knowledge structure of the members of our contingent is being gradually rationalized amid readjustment. The amount of products manufactured on the

basis of our scientific and technical achievement has increased with each passing year, and their quality is being continuously enhanced. We have basically completed research tasks assigned by the Military Commission and the General Departments in various historical periods. We have made achievements in the fields of scientific research concerning military thinking, strategy, campaigns, tactics, history of wars, military system, foreign armies, political work and military operations, and so on. Our main achievements include editing and publishing selected military works of Marx and Engels and the "Selected Military Works of Mao Zedong" (including the edition for restricted publication). With the approval of the Military Commission, we have worked out, edited and revised operational regulations, common regulations, "An Outline of the Science of Campaign," and "An Outline of Guerrilla Warfare," and have distributed them throughout the army.

We have written and published the "Science of Strategy," and "A Study of the Military System of the State." We have written, published, and openly distributed inside and outside the PLA "A PLA History of War," "A Modern History of War in China," "The PLA Chronicle of Events," and "The Changes and Development of the PLA Organizations, and Directory of the PLA Leaders at All Levels." We have compiled a "Chinese Great Encyclopedia: Military Affairs." We have translated and edited a number of foreign military works and military dictionaries such as "On War," "The Soviet Military Encyclopedia," and so on. In recent years, we have made faster progress in new research projects on devising strategies. We have also devised some operational and tactical patterns and produced translating machines. In recent years, we have carried out research projects which are of great practical significance to the strategy on the development of national defense and the buildup of the Army, and successively submitted a number of proposals and reports to the Military Commission and the General Departments.

During the past 30 years, our academy has continuously developed our military research work, and made certain achievements in this regard. Our basic experience is that we have been guided by Marxist-Leninist-Maoist thought, and have upheld an ideological line of proceeding from reality and seeking truth from facts, have attached importance to the historical experience of our army, have learned from useful foreign experiences, have catered to the needs of modernization, have set our eyes on the world and the future, and have devised a correct guiding principle of serving the modernization of national defense and the war of resisting aggression in the future. In recent years, our academy has persisted in reforms and opening up, and we have emphasized the administration and reform of scientific research. We have also improved the method for examining and assessing the achievements of our academic work, and carried out academic exchanges with units inside and outside the army and institutions at home and abroad. We have also encouraged our research workers to write

books and establish their theories. These have played an important role in ensuring that our military scientific research develops in a correct direction, and that we can achieve more, faster, and better results in our research work.

At present, the development of the international and domestic situation has posed a series of new problems to the modernization of our national defense and army. Efforts are needed to study and solve these problems. Promoting and developing our military science is our indispensable and important task for the modernization of our national defense and our army. We should profoundly study and implement the spirit of the 13th CPC National Congress, further emancipate our minds, speed up and deepen reform, and conscientiously implement the guiding principle on military scientific research formulated by the Military Commission. Proceeding from the actual reality of our army during the initial stage of socialism, we should correctly handle relations between demand and possibility, between inheritance and development, and between realistic approach and bringing forth new ideas, and so on. We should make efforts to promote profound development of scientific research work. On the basis of continuing to do well in basic theoretical research, we should exert great efforts to carry out research projects of practical significance such as national defense buildup, building of the army, and so on. We should provide strategic consultative services, and attach primary importance to research projects on practical important issues assigned by the Military Commission and the General Departments. While the Military Commission and the General Departments are making policy decisions, we should provide them with better and more valuable consultative proposals. We should become a good "assistant" to the Military Commission and the General Departments so that they can guide the army from the high plane of military theories. We should properly plan and coordinate work for military scientific research throughout the army, and promptly exchange information and experiences to promote and develop the military academic research work of the whole army. We should profoundly institute investigation and studies.

On the basis of properly understanding history and reality, we should make scientific forecasts of the possible development and reforms in the military field. Our military scientific research work should be put on a solid and reliable basis, so that our achievements in scientific and technical research will reflect the objective reality in a better way. We should strengthen our links with military academic research institutions, functional departments, academic groups, and academic research departments at home and abroad. Through regular academic links and academic ideological exchanges with them, we will understand the new situation, discover the new problems, get new information, broaden our field of vision and widen our outlook, so that we can continuously increase the results, and improve the quality of our academic research work.

Foreign Exchange Reserves Reach \$15.2 Billion
HK061304 Beijing ZHONGGUO XINWEN SHE
in Chinese 1013 GMT 31 Mar 88

[Report: "China's Foreign Exchange Reserves Total \$15.2 Billion"—ZHONGGUO XINWEN SHE Headline]

[Text] Beijing, 31 Mar (ZHONGGUO XINWEN SHE)—Latest statistics provided by the People's Bank of China show that China's foreign exchange reserves totaled \$15,236 million by the end of last December, an increase of \$1,256 million as compared with the figure recorded at the end of the third quarter of last year.

As compared with the figures of the third quarter of last year, China's foreign exchange on hand at the end of the fourth quarter last year totaled \$2,923 million, a decrease of \$1,397 million; while the foreign exchange balance of the Bank of China increased by a considerable margin, totaling \$12,313 million.

The same statistical report shows that China's foreign debt balance was \$8,413 million and its gold reserve totaled 12.67 million ounces.

Economist Warns of Excessive Foreign Debt
OW050930 Beijing XINHUA in English 1036 GMT
4 Apr 88

[Text] Beijing, April 4 (XINHUA) — A noted Chinese economist has expressed his worries over the country's foreign debts and proposed financial departments borrow foreign loans according to their capability for repaying the loans and their interests.

Tao Dayong, a deputy to the Seventh National People's Congress now in session, said, "it is absolutely necessary to borrow foreign loans in order to invigorate the country's economy and promote production but financial departments should be prudent and selective in doing so."

He said many developing countries are heavily burdened by foreign debts and some of them have difficulty even to pay for the interests.

To avoid getting into such a debt crisis, Tao suggested, China's financial departments should ask all enterprises which are intended to borrow loans to hand in their feasibility study reports on their capability for repaying the loans and interests and no approval should be given to those which are unlikely to have such an ability.

He said foreign loans should be used in productive projects which will be able to produce economic returns for repaying the loans and interests.

Foreign investment, instead of foreign loans, should be introduced, if necessary, in non-productive Sino-foreign joint ventures, he said.

He proposed a national investment and development bank be launched to exercise an overall control over loan borrowing.

Taxes To Be Reduced on Imported Materials
OW051034 Beijing XINHUA in English 0910 GMT
4 Apr 88

[Text] Beijing, April 4 (XINHUA)—The General Customs Administration plans to reduce, and in some cases eliminate, taxation on leftover imported materials used in domestic manufacturing processes.

This is part of a new set of administrative measures dealing with imported material processing to be released soon, a customs official said here today.

According to the official, the measures are aimed at revising and simplifying the current 18 regulations governing businesses who utilize imported raw materials for their processing needs.

They include tax exemption for [words indistinct], detergents and other chemicals used in processing export-oriented products; returning the tax to enterprises which process products from imported materials but are not able to export such products; and allowing units with licenses for processing with imported materials to build bonded factories and warehouses, and to postpone their required tax payments on imported raw materials, machine parts and cargo used for processing. Taxation will be decided on the latter group of enterprises in accordance with the exportation of their products.

According to statistics, China has more than 22,000 enterprises that undertake processing with imported materials. The variety of processed goods has expanded from textiles, arts and crafts, ornaments and hardware to include television sets, ships, planes, machinery and electric appliances.

Sino-Foreign Cooperative Enterprises Increase
OW050845 Beijing XINHUA Domestic Service
in Chinese 1455 GMT 31 Mar 88

[Reference material: Sino-Foreign Enterprises Under Cooperative Management on the Increase—XINHUA headline]

[Text] Beijing, 31 Mar (XINHUA)—As of the end of 1987, China had approved 5,193 Sino-foreign enterprises under cooperative management (hereafter referred to as "cooperative enterprises"). Investments totaling U.S.\$12.2 billion were agreed upon. The actual investments made are U.S.\$3.38 billion. These cooperative enterprises are located in 26 provinces, autonomous regions, and municipalities directly under the central government with more than 85 percent of the enterprises located in Guangdong and Fujian Provinces. About 80 percent of the investments for such enterprises come

from Hong Kong and Macao with the rest of them coming from Japan, the United States, Canada, Thailand, Singapore, and other countries.

The cooperative enterprises and the Sino-foreign joint ventures (hereafter referred to as "joint ventures") are the two major forms that China adopts in utilizing the direct investments from abroad. All such enterprises have Sino-foreign investments. They are placed under joint management. Right now, the major differences of the two types of enterprises in China are as follows:

1. The principles in organizing such enterprises are different. The joint venture is under a share-holding system. That is, the parties to the joint venture shall share the profits, risks, and losses in proportion to their respective contributions to the capital. On the other hand, the parties to the cooperative enterprise shall share the profits, risks and losses according to the contract they have signed. Generally, such share is not proportional to the investments they made. A cooperative enterprise is not under the share-holding system.

The ways of raising the capital vary. Under the share-holding system, the various forms of investments made by the parties of a joint venture must be evaluated so as to figure out the proportion of the investments. The law stipulates that the proportion of the investment contributed by the foreign joint venturer or venturers shall not be less than 25 percent of the capital. In general, the investment made in kind or with a site for the joint venture or with industrial property rights are not evaluated. Thus, the proportion of the investment is generally unknown. There are no legal requirements for setting the proportion of the investment contributed by the foreign venturer or venturers.

Ways of distributing profits are different. All joint ventures share after-tax profits and all partners obtain their profits according to the proportion of their individual investments. In the case of cooperative enterprises, some share after-tax profits, and some share pre-tax products or revenues.

When enterprises close, the ways they handle assets vary. Upon the closure of a joint venture, after it pays its debts, the remaining assets are distributed according to the proportion of each partner's investment. In the case of cooperative enterprises, some have prescribed that, when a cooperative enterprise closes, the Chinese side gets all the assets, while others have prescribed that the Chinese side gets the fixed assets and the foreign partner gets the circulating funds. Some will divide the assets according to their agreement.

The ways of recovering investment are different. A joint venture may not reduce the amount of its registered capital, and all the partners may recover their investment from the remaining assets after debts have been paid. In the case of cooperative enterprises, some have agreed that foreign partners have the priority to cover

their investment, considering the fact that the Chinese side gets all the assets upon the closure of the enterprises. The usual way is, within a specific time during the cooperation period, the foreign partners are allowed to share larger amounts of profits or larger quantities of goods, or to recover their investment through drawing the funds for the depreciation of fixed assets.

The organizational structures are not the same. According to law, a joint venture must have a board of directors; and when it exercises its authority or set the rules of procedures, it must abide by the law governing Sino-foreign joint ventures and all the relevant rules of the implementation regulations. In the case of cooperative enterprises, some of them have boards of directors, and some have joint administrative organs, and when they exercise their authority or set the rules of procedures, they follow what has been prescribed in their contracts.

Cooperative enterprises are different from the business known as "three supplies and one compensation," which means processing supplied materials, assembling supplied parts, producing goods according to supplied patterns, and compensatory trade. The three-supplies business is a business in which a Chinese enterprise collects its service fees while accepting processing orders from foreign businessmen. In the case of compensatory trade, it is an operation in which foreign businessmen provide equipment, or certain raw and semifinished materials and technology, or all of the above, and Chinese enterprises repay these equipment, materials, and technology by producing the kinds of products foreign businessmen want. While these businesses are specific ways for Sino-foreign economic cooperation, they are not Sino-foreign cooperative enterprises.

Coastal Strategy, International Circle Viewed
HK051447 Beijing ZHONGGUO XINWEN SHE
in Chinese 0387 GMT 29 Mar

[Text] Beijing, 29 Mar (ZHONGGUO XINWEN SHE)—What is the "great international circle?" What is the "economic development strategy for the coastal areas?" What are the relationships between them? Authoritative persons hold that the "great international circle" is not tantamount to the "economic development strategy for the coastal areas."

The economic development strategy for the coastal areas was put forward by Zhao Ziyang and it is a strategic decision to accelerate the economic development of the coastal areas determined by the CPC Central Committee and the State Council. The main idea of this strategy is to fully make use of the advantageous opportunity brought about by the readjustment in the international industrial structure, utilize the strong points of the Chinese coastal areas such as an abundant supply of labor resources, and vigorously develop an export-oriented economy in the coastal areas. This strategy is: to pay attention to and develop labor-intensive industries; to implement the

policy of "extending the two ends", which is to conduct a large volume of imports and exports; and to encourage foreign investment and enthusiastically develop the three kinds of enterprises that are partially or wholly foreign-owned, so that economic development in the coastal areas can be accelerated and thus the national economy of the whole country can be developed.

Wang Jian, the economic scholar who put forward the theory of the "great international circle," considers that the "great international circle" is a strategic idea of economic development. In simple words, this strategy is to vigorously develop the export of products of labor-intensive industries so as to earn foreign exchange from international markets, and to obtain the funds and technology needed by developing heavy industries. Then, the funds accumulated by the developing heavy industries will be used to aid and support agriculture, thus to connecting the circular relationship between agriculture and heavy industry through the transformation mechanism of the international market.

On the basis of these points we can understand that the "great international circle" is mainly centered on the circular relationship between agriculture and heavy industry. There are many penetrating ideas involved in this strategy. On talking about developing the export of the products of labor-intensive industries, the theory of this is tantamount to the related parts of the coastal development strategy. Therefore, this idea is highly praised by Zhao Ziyang.

An author's article in today's JINGJI RIBAO considers that the coastal development strategy is a government decision, and it is a policy that should be implemented by various levels of government. However, the "great international circle" is still an academic viewpoint raised by economic theoretical circles, and it is only a theoretical exploration. Therefore, these two ideas are not comparable to each other.

State Council Approves Coastal Zone Expansion
HK051015 Beijing ZHONGGUO XINWEN SHE
in Chinese 0945 GMT 4 Apr 88

[Text] Beijing, 4 Apr (ZHONGGUO XINWEN SHE).—The PRC State Council has decided to further expand the coastal economic open areas. The areas to be expanded are as follows:

Tianjin Municipality: Jinghai, Ninghe, Baodi, Wuqing, and Ji Counties.

Hebei Province: Tangshan City and Fuguan, Luannan, Leting, Tanghai, Luan Counties under its jurisdiction; Cangzhou City and Cang and Qing Counties under it; Huanghua County; Haixing County; and Changli, Funing, and Lulong Counties under the jurisdiction of Qinhuangdao City.

Liaoning Province: Dandong City and Donggou and Fengcheng Counties under it; Yingkou City and Yingkou and Gai Counties under it; Panjin City and Panshan and Dawa Counties under it; Jinzhou City and Jinxi and Xingcheng Cities, and Jin and Suizhong Counties under it; Anshan City and Haicheng City under it; Liaoyang City and Liaoyang and Dengta Counties under it; Wafangdian City and Xinjin and Zhuanghe Counties under the jurisdiction of Dalian City, and Jinzhou District, which was originally Jin County; and Shenyang City.

Jiangsu Province: Nanjing City and Jiangning, Liuhe, and Jiangpu Counties under it; Zhenjiang City and Dantu, Danyang, Yangzhong, and Jurong Counties under it; Yangzhou City and Taizhou, Yizheng Cities and Hanjiang, Jiangdu, Jingjiang, Taixing, and Tai Counties under it; Yancheng City and Sheyang, Dongtai, Dafeng, Xiangshui, and Binhai Counties under it; Nantong, Haimen, Qidong, Rudong, Rugao, Haian Counties under the jurisdiction of Nantong City; and Ganyu, Donghai, and Guanyun Counties under the jurisdiction of Lianyungang City.

Zhejiang Province: Hangzhou City and Xiaoshan City and Yuhang, Fuyang, Tonglu, and Linan Counties under it; Shaoxing City and Shaoxing, Shangyu, and Sheng Counties under it; Pinghu and Haiyan Counties under the jurisdiction of Jiaxing City; Changxing County under the jurisdiction of Huzhou City; Yuyao City and Cixi, Fenghua, Ninghai, Xiangshan, and Yin Counties under the jurisdiction of Ningbo City; Ouhei, Leqing, Ruian, Pingyang, Cangnan, and Yongjia Counties under the jurisdiction of Wenzhou City; and Jiaojiang City, Linhai City, and Huangyan County.

Fujian Province: Ningde and Xiapu Counties.

Shandong Province: Rongcheng, Wendeng, and Rushan Counties under the jurisdiction of Weihai City; Weifang City and Zhucheng, Qingzhou Cities and Changyi, Changle, Gaomi, Wulian, Shouguang, and Anqiu Counties under it; Huantai County under the jurisdiction of Zibo City; Jiaozhou City and Pingdu, Laoshan, Jimo, Jiaonan, and Laixi Counties under the jurisdiction of Qingdao City; Longkou and Laiyang Cities and Muping, Penglai, Zhaoyuan, Haiyang, and Qixia Counties under the jurisdiction of Yantai City; Laizhou City; and Rizhao City.

Guangxi Zhuang Autonomous Region: Wuzhou City and Cangwu County under it; Hepu County under the jurisdiction of Beihai City; and Yulin City, Qinzhou City, and Fangcheng County.

Zone Expansion Viewed
HK051017 Beijing ZHONGGUO XINWEN SHE
in Chinese 1145 GMT 4 Apr 88

[Report by Reporter Wei Lin (7279 2651)]

[Text] Beijing, 4 Apr (ZHONGGUO XINWEN SHE).—China has decided to expand the economically open coastal area, with the formation of an open belt along the

coast with an area of 320,000 square kilometers. The number of cities and counties covered by the open belt will be increased from the previous 144 to 284, and the number of people covered will also rise from 90 to 160 million.

The cities to be newly opened this time around include Tangshan and Cangzhou in Hebei Province; Shenyang, Dandong, Yingkou, Panjin, Jinzhou, Anshan, and Liaoyang in Liaoning Province; Nanjing, Zhenjiang, Yangzhou, and Yancheng in Jiangsu Province; Hangzhou and Shaoxing in Zhejiang Province; Weifang and Zibo in Shandong Province; Wuzhou City in Guangxi Zhuang Autonomous Region; and so forth.

According to relevant persons from the State Council's Special Zone Office, Liaoning, Jiangsu and Zhejiang Province's have the greatest number of areas opening up this time. Previously, Liaoning had only the city of Dalian open but now it will add 27 open cities and counties. Liaodong Peninsula in Shandong Province has a relatively good industrial base and is economically strong. The authorities have high expectations for it. Jiaodong Peninsula has also added a reasonable number of open zones, especially in the suburban countryside. This will enable burgeoning township and town enterprises to rapidly develop increasing labor-intensive export products.

Since 1979, China has treated the coastal area as the focus of its policy of opening up and taken a series of realistic steps and measures. In September 1979, it was first decided that the two provinces of Guangdong and Fujian should introduce special policies and flexible measures. Meanwhile, the four special economic zones of Shenzhen, Zhuhai, Shantou, and Xiamen were set up. In April 1984, 14 port cities were opened up allowing the formation of an open pattern along the coast from south to north. In early 1985, the Chang Jiang Delta, the Pearl River Delta, and the areas of Xiamen, Zhangzhou, and Quanzhou south of Fujian were again developed as economically open coastal zones, strengthening the in-depth arrangements for an open pattern.

The authorities consider that the opening up of the coastal area has brought about a new situation of attracting direct investments by foreign businessmen in China. According to statistics, up to the end of 1987 the country approved a grand total of over 10,000 foreign-invested enterprises, with an agreed foreign investment of \$22.8 billion and a direct foreign input of \$8.5 billion (cooperative offshore oil prospecting included). There are now more than 4,300 foreign-invested enterprises already in production or operation. Eighty percent of these are spread over the main coastal cities.

Enterprise Groups Play Growing Role in Economy
OW051401 Beijing XINHUA in English 0756 GMT
5 Apr 88

[Text] Beijing, April 3 (XINHUA)—Enterprise groups, which used to play supporting roles in the Chinese economy, are now emerging into major players, prompting some economists to link this new phenomenon to the

hope of realizing the four modernizations, "CHINA DAILY" said today.

At present, the newspaper said, about 1,000 enterprise groups have been established across the country and more are on the way.

Chinese economists and newspaper commentators have spoken highly of enterprise groups. "The emergence of enterprise groups is helping to eliminate administrative practices and bring about fundamental changes in China's industrial management and planning system," said a signed article in PEOPLE'S DAILY.

"It can be conceived that in the future our country's industrial planning, investment, and supply of goods will be mainly done by hundreds of big industrial enterprise groups instead of various administrative organs," it continued.

The state is considering passing more regulations to consolidate the links among enterprises in the group by encouraging the introduction of cross-holding of shares, mergers and transfers of property rights from weaker member enterprises to stronger ones, said Yin Guanghua, a senior official from the State Commission for Economic Restructuring under the State Council.

She said the flourishing enterprise groups are a result of the call for establishing horizontal links among enterprises in different trades and areas. So far most of the enterprise groups are in the initial stages of development and many problems still need to be discussed.

RENMIN RIBAO on Enterprise Mergers
HK051431 Beijing RENMIN RIBAO in Chinese
26 Mar 88 p 4

[Article by RENMIN RIBAO Reporter Jiang Shaogao (30684801 7559): "Promising Sprouts—Merger of Enterprises in Baoding City"]

[Excerpts] In the year of the dragon, news has come from Baoding City, Hebei:

In 1987, the state-owned and collective enterprises throughout the city fulfilled all contracts.

Also in 1987, the city's budgeted industrial enterprises eliminated losses due to poor operation.

It is relatively easy to fulfill a contract and to keep a promise but it is not so easy to "eliminate" the loss-making enterprises. With the number of loss-making enterprises in some parts of our country, and the amount of losses, on the increase, this news is, no doubt, especially encouraging. How could Baoding score such outstanding achievements? In March, this reporter gathered news in Baoding and came to understand and learn a lot of things. [passage omitted]

Baoding had a reputation for "disorder" with the people. The political turmoil led to economic difficulties. The situation was not alleviated for several years after the smashing of the "gang of four." In 1982, half of the city's 72 state-owned enterprises incurred losses and the amount of losses reached 16.96 million yuan.

How could these loss-making enterprises be "eliminated?" Newly-appointed city party committee Secretary Han Licheng and Mayor Tian Futing racked their brains but were at a loss to find a good method.

The city departments concerned attempted to apply the old method—"closing, suspending, merging, and shifting to other types of production"—to transform the loss-making enterprises and merged several pairs of enterprises on a reciprocal basis. Consequently, the enterprises which had incurred losses and the enterprises which had operated well were on an equal footing, their cadres were arranged on a reciprocal basis, there were many conflicts, and the results were not good.

Leaders of the city party committee and city government went to enterprises to conduct investigation and study and to analyze the situation regarding resources and products in Baoding City enterprises. They decided to develop four pillar industries and three developmental industries, and laid emphasis on this strategy. They came to discover that on the one hand the utilization ratio of a large amount of production factors possessed and used by many loss-making enterprises was extremely low and economic results very poor; on the other, the products from enterprises which operated well were in great demand but due to narrow and limited places, shortage of capital, and insufficient equipment, their reproduction expansion was restricted and they were unable to bring their strong points into play. Could the city government departments act as go-between and use an unreciprocated method to merge the loss-making enterprises into enterprises with strong points? They began to explore. [passage omitted]

At the mention of merger an idea immediately strikes people that the big fish "swallows" the little fish. In fact, there was no lack of stories about little fish "swallowing" big fish in the course of mergers in Baoding. The city steel window plant is a collective enterprise and its economic results are good; whereas, the city powdered coal ash bricks plant merged with the city steel window plant was a state-owned enterprise and occupied an area of some 100 mu, but owing to the poor quality of the powdered coal ash bricks, its products did not sell well and it was even unable to pay its workers wages. After merger, the staff members and workers of both parties have become happy. However, a little disturbance was caused. Some people felt that the coal ash bricks plant had to be preserved. It was the city party committee and city government that acted as a mediator, clearly explained the reason, and promoted the smooth completion of merger.

Through these instances we can see that the government gave play to its promotion and guidance role in the course of the merger. In addition to the above-mentioned enterprises, the enterprise mergers in Baoding, including the mergers of: The city transformer plant and the heavy electrical machinery plant; the city cannery and the bone fat factory; the city paperboard mill and the Yonghua Napkin Paper Mill in Nanshi District; and the film machinery plant and the die casting plant, were all proposed by the city leaders. This embodies the basic thinking on pushing forward reform of the enterprise operation mechanism proposed by the city party committee and city government. More emphasis is laid on the operation rights than on proprietary rights and the policy of combining responsibility, power, and interests must be implemented. Practice proves that this is a successful way.

JINGJI GUANLI Urges Price Stabilization
HK060425 Beijing JINGJI GUANLI in Chinese No 2, 1988, pp 4-7

[Article by Shen Liren (3088 4539 0086): "Our Urgent Task Is To Stabilize the Price and the Economy"—Edited by Liu Qichang (0491 0366 2490) and Pan Shucheng (3382 6615 3397)]

[Text] The stabilization of price and the economy is not only an important task of the government organs at all levels, in particular the economic departments, but also an issue of great concern to the masses. Therefore, in the meetings on national planning and system reform work held a year ago, it was stated that the task for 1988 is to further stabilize the economy and deepen the reform in order to guarantee the more effective development of the socialist construction undertakings. This strikes roots in people's hearts. However, it is in no way easy to achieve. It requires the adoption of coordinated and adequate measures on the basis of integrated understanding.

The Instability of Prices Lies In the Instability of the Economy [subhead]

Price is a difficult problem in developing and reforming the economy. In recent years, the adoption of the policy for maintaining the general stability of price has scored considerable results though some conflicts have been arisen. After the occurrence of several events where "control was lost," at the end of 1984, the economic situation has been improved with the adoption of the measure of "soft landing" though the element of instability has not been entirely cleared away. The agreed price of certain important means of production remains high; the price of nonstaple food sometimes rises by a rather big margin. The rise in price can be accounted for by a number of reasons, such as some departments and units set a higher price themselves, some monopolized industries and large nation-owned enterprises increase the price without authorization, and some "bearish" speculators and profiteers cheat and raise the price. Apart from the above, there are other reasons: the drop

in the production of some agricultural sideline products owing to unfavorable weather, the fluctuation in foreign exchange rate and the effect of international market pushing the price of some imported and exported commodities to go up, and so on. Above all, besides the rise in the cost of production and transportation, the unbalanced condition in supply and demand, the major reason is that demand has outgrown supply.

The instability of price is resulted from the instability of the national economic development; its occurrence marks and represents the instability of the economy. In these recent years, under the prerequisite that people ascertain that the economic situation has been improved gradually, their understanding regarding the estimation of the potential element of instability is not the same. The inflation in investment has remained a problem for a long time. The work on the control of the investment scale and the shortening of capital construction front has never been relaxed. However, the obstacles that arise in the course of implementation remain to be very large. Many departments, regions, and enterprises stick to their own ways taking no heed of the practical condition. Some people summarize the "experience" saying that "one will be put at a disadvantage if one reduces the investment." As a result, investment continues to grow despite the control and the front has been lengthened despite the shortening. The inflation in consumption is a new tendency that arises from the reform. The policy for handling it is equally difficult to implement. The competition in the unauthorized granting of bonus which is conducted in various manner becomes increasingly keen. As such, the demand of the entire society rises rapidly causing a greater and greater difference in supply and demand. Thus, people have an illusion thinking that sales of anything produced will not be a problem and returns will be yielded from any projects invested. Blind production and investment are fostered. In recent years, though the macroeconomic control has been strengthened, the shortage of power resources and raw materials, and the great demand in transportation have neither been eased nor catered for till now. In order to eliminate these "bottlenecks" as soon as possible, it is necessary to increase the number of priority construction projects. Thus, the vicious cycle in which "investment exerts pressure on finance, finance on the output value, the output value on the processing industry, and the processing industry on raw materials and power resources" has been brought about.

In order to stabilize price and the economy, the state decides to implement the policy of tightening the finance and credit. This is absolutely correct. Nevertheless, it is reasonable that people may have the following suspicion. Hasn't the state considered the adoption of similar policies in these recent years? Why these earnest words which fell on deaf ears cannot produce effective results? Does it reflect that the question lies in whether we can clear everything up from the root and do not take the policy of "double tightening" as an expedient measure?

In this way, should we place the demand for the stabilization of price and the economy on the basis of the further transformation of the strategy of economic development and economic system from the old to the new format, and will the above be put into practice smoothly?

To Resolutely Implement the Further Transformation of the Economic Development Strategy [subhead]

The instability of the economy and price is in substance the same issue. It is a product that will inevitably spring up in the traditional strategy of economic development. The traditional strategy is characterized by the adoption of such major means as substantial investment and accumulation and such major form as outside expanded reproduction for the undue pursuit of and competition in the growth of gross industrial and agricultural output value. Such a strategy produced positive effects during the initial stage of industrialization, but its weaknesses became more and more prominent with the development of economic construction. In particular, it could not correctly handle the relationship between the pace and returns of economic development. Practice has proved that economic growth which is an increase in quantity does not represent economic development. There are rich contents in economic development. Besides the increase in quantity, economic development also includes the standard for measuring quality, such as technological innovation, structural improvement, and so on. Therefore, even if the output value increases by several times, such a development will not bring the country closer to modernization. Similarly, the pace of development does not represent economic returns. The way of increasing economic returns is to enable the state, enterprises, and individuals to enjoy actual benefits by producing more from less investment. Therefore, even if the pace is fast, it is still possible that the returns may not be enough to compensate the loss, or that production may have to be suspended. The undue pursuit of and competition in the growth of output value will inevitably bring about the unlimited increase of investment and the corresponding rise in consumption. Inflation in demand, the unbalanced condition in supply and demand, and cyclical fluctuation will result causing the instability of the economy and price. In these recent years, though the gross output value, financial revenue, and people's income have been increased, the pace of increase is in fact not the same. The margin of increase in investment is usually larger than that in national income, thus causing the capital coefficient to continue increasing. The growth of consumption funds and nominal wages is faster than that of the means of consumption and the rate of labor and production. As a result, the national income exceeds what has been allocated in the plan, and in practice it has to be adjusted by price.

In view of the above situation, it is necessary to resolutely implement the further transformation of the strategy of economic development if we are to further stabilize the economy and price. This has already been made clear as far as policy is concerned, but its execution has

not been put into practice. Among the theories and opinions which have been put forward in these recent years, some are worth discussing and taking note of. First, "the Theory of Shortage of Supply": On the basis of the fact that some equipment has been left unused and that some products are not marketable, it is believed that the problem encountered currently is not the inflation in demand but the shortage of demand. It is suggested that investment and credit should be adequately increased. Second, "the Theory of Demand Exceeding the Previous Level": It is believed that in face of economic boom, the practice of adequate inflation and the condition in which demand exceeds the previous level will be conducive to the promotion of economic construction. This naturally leads people to associate it with Keynesianism which cures "overproduction," a chronic disease of capitalism. Such a theory cannot help resolve the problem of the shortage of resources that we are encountering for the time being. Third, "the Theory of High Consumption": It is believed that during the process from poverty to the condition of comparatively well-off, the structure of consumption will be changed rather considerably and production stimulated by means of the stimulus in consumption. This deviates from the present condition of our country and will only produce the undesirable effect of "throwing oil on the fire." Fourth, "the Theory of Tight Running": It is believed that the basic condition of the economic system at the present stage in our country is basically characterized by the tight running of the growth in demand exceeding the previous level. The unbalanced and unregulated phenomena will inevitably arise from the allocation of resources again and again. The idea sounds fairly good as described, but if we really put it into practice, it may become an excuse for implementing the traditional strategy.

I think the correct policy for handling these questions is to tighten finance and credit, and change the inertia where the economic growth has been "overheated" as soon as possible so that it can be gradually stabilized. When the strategy for economic development has been properly moved onto a path which focuses on the increase of economic results, then the further stabilization of the economy and price, and the gradual relaxation of the economic and market environments can come true. This new path for economic construction was proposed two years ago before the "Sixth 5-Year Plan." The rate of growth was normal (not low), and condition similar to what has been mentioned in the above came into being. All these are necessary and conducive to the promotion of technological innovation, the adjustment of the production structure, and the acceleration of the system reform.

The Stability of the Economy Depends On the Further Deepening Of the Reform [subhead]

The further stabilization of the economy is closely related to the further deepening of reform. Besides the traditional strategy for economic development, the instability of the economy can also be accounted for by the

traditional economic system. While the system of capital supply brings about the "disease of investment hunger," the equalitarianism in allocation brings about the "disease of consumption." The vitality of enterprises has been increased, the number of mandatory plans decreased, and the price stabilized since the economic system reform. However, as we are now in the transitional stage of the two systems where the new regulatory control mechanism has not been established, different degrees of confusion arise from economic running and the setting of price; instability thus results. Such a condition can only be remedied by the acceleration and deepening of the reform.

The new system which integrates enterprises, market and macroeconomic control together is related to the restructuring of the economic running mechanism in every respect. It is to bring into play the function of suppressing the growth of instability. In the first place, the major key of the entire reform lies in the improvement of the operating mechanism of enterprises as well as the strengthening of their vitality. If various forms of responsibility system operated on a contract basis can be promoted on a comprehensive scale, that is the direct control on enterprises is exercised by contracts and not by administrative departments, the usual practice of exerting pressure on the output value and the rate of competition can be corrected, and the economic results of enterprises greatly increased. However, while strengthening the vitality of enterprises, we should also pay attention to avoid the imperfection of the macroeconomic policy and the unhealthy condition of the operating mechanism of enterprises which may bring about the short-lived behavior of enterprises, and direct enterprises to correctly handle the relationship of accumulation and consumption. It is expected that with the integration of the budget of enterprises and the implementation of the insolvent law, the two "diseases of hunger" can be gradually cured, and foundation laid for the stable development of the entire economy as far as microeconomic control is concerned. Second, the perfection and improvement of the market system and mechanism is the pivot of the entire reform. Some people attribute the instability of the economic development to the negative effects of the market mechanism. However, the actual condition is not so. The development of the socialist commodity economy cannot be separated from the growth of the market. It is not the same as the primitive market at the initial stage of capitalism. Based on public ownership, it is a market controlled macroeconomically under planned direction. The planned commodity economy can reduce the extent of fluctuation arising from economic development in a better way than the single planned economy because the rate of wrong decisions made by separate investment units is in general lower than that by the centralized unit. As for inflation in investment, a problem that still exists for the time being, it actually arises from the unhealthy market mechanism which cannot place separate investment under the control of the market, and not from the effects of the market mechanism. With the development of the market for

various elements of production from now on, enterprises will find the market competition pressing while strengthening their vitality. They will then consciously separate themselves from the inflation in investment and consumption.

The transformation of macroeconomic management from direct to indirect control implies that administrative means will gradually give way to economic means. It also means that plan, finance, credit, investment, resources, foreign trade, and so on are systems to be reformed, and that price, interest rate, tax rate, foreign exchange rate, wages, and so on are coordinated policies to be reconstructed. If the pace of the reforms is to be accelerated, we are to carry out these reforms in an orderly manner so that they can be coordinated with one another and produce better results. The planned system reform, which is based on the model of mandatory plan, will serve as the major reference to macroeconomic control. The reform on the financial and credit system is implemented mainly for maintaining the basic equilibrium of the total demand. The investment system reform is certainly conducive to the control of the scale of investment, the adjustment of the investment structure, and the raising of the returns on investment. The perfection of the system on macroeconomic control is not only the designated symbol signifying the transformation of the economic system pattern, but also the guarantee ascertaining the stable development of the national economy when it is integrated with the transformation of the strategy pattern for economic development.

The stability of the economy is the prerequisite for the stability of price. Yet, it cannot replace the price system and the reform on the system. The selection of time is rather important in price reform. It seems that under the circumstances where economic development is not very stable, much difficulties will be encountered in reforming the price no matter it is at a high or low level. The implementation of the price reform will only be smooth when the economy is stable. Though there is a close relationship between the wages and price reforms, the stability of the economy remains to be the condition for implementation.

Economist Says Inflation 'Should Be Checked'
OW060505 Beijing XINHUA in English 0915 GMT
5 Apr 88

[Text] Beijing, April 5 (XINHUA)—A well-known Chinese economist claims that inflation and the resultant steady hiking of prices is a serious problem that should be checked immediately.

In an article entitled, "Face Inflation Squarely" in today's "ECONOMIC DAILY," Liu Guoguang, deputy president of the Chinese Academy of Social Sciences, said that the most unstable factor in the current economy is soaring prices.

He stated that the root cause is currency depreciation brought on by an excess in the money supply issued by the central government. As a result, the retail price index rose 8, 6, and 7.2 percent, respectively, between the years 1985 to 1987, according to Liu.

"The theory is simple. Goods are cheaper when they exceed demand; the overissue of currency leads to a depreciation in its value, and hiking prices means depreciation of money," Liu said.

Last year, the issue of currency was 19.4 percent higher than the previous year, and loans from banks increased by 18.8 percent over the same period. "These figures exceed by a big margin the 9.4 percent increase in the nation's gross national product (GNP) last year," Liu said.

"We must pay close heed to the consequences brought about by inflation, which often leads to the unreasonable redistribution of wealth. The uneasiness and sorrow of depositors when they realize that their life savings in the banks are depreciating is understandable, as is the situation of those who earn their keep through honest labor only to find their living standard lowered," Liu said.

According to Liu, over 21 percent of the city dwellers covered by a survey of the municipalities of Beijing, Tianjin and Shanghai saw their living standard fall because of price hikes. "We do not need to exaggerate the situation but we must not run away from it either," Liu said.

"In order to create better economic and social conditions for reform, we must check inflation," Liu said.

To do this, people must get rid of the concept that inflation will benefit economic growth. "In the long term, inflation only leads to soaring prices and benefits nobody," he said.

To check inflation, Liu suggested dividing the state budget into two parts, an operating budget and a budget for capital construction. "The operating budget should always be in the black, but deficits could be allowed in the case of the capital budget. Even in this case however, the deficit must be paid off through the issuing of state economic construction bonds rather than by issuing currency."

Banks should raise their interest rates to the point where they exceed the price increase percentages to encourage depositors and limit the demand in the market, Liu said.

"It will be painful for a while as we combat inflation, but the failure to deal with the problem in the present will only bring more serious problems for us in the future," he concluded.

National Forum On Nongovernmental Banking
OW060147 Beijing XINHUA in English 1453 GMT
3 Apr 88

[Text] Beijing, April 3 (XINHUA)—The pros and cons of nongovernmental banking organizations were the topic of discussion at a recent national forum, today's "FINANCIAL TIMES" reported.

The forum was held last month in Chuxian county, Anhui Province, where seven township banking offices are in operation with the approval of the People's Bank of China.

As nongovernmental organizations, the paper said, these assume the sole responsibility for their own profits and losses, while enjoying full independence in management.

The banking office gave on an average [word indistinct] savings deposits of 400 yuan each during an operation period of 273 days. This is 2.5 percent higher than the corresponding figure for government-run organizations in the prefecture.

The nongovernmental organizations are aggressive in competition, enough to force state-owned banks to improve their services, the paper reported, quoting participants at the meeting.

Nongovernmental banking organizations are a product of the commodity economy being encouraged in China, a country still in the primary stage of socialism.

These organizations suit the needs of collectively-owned enterprises and individual traders, as their operations are flexible.

For example, they extend loans considered too small by government banks. "Their functions can't be replaced by state-run banks," said one expert at the meeting.

Nevertheless, some other participants at the forum were of the opinion that at present, it is inappropriate to set up nongovernmental banking organizations everywhere in China.

This is because they are still new, and time is needed to accumulate experience in running them well, they said.

Farmer Profiled in Entrepreneur Series
OW051102 Beijing XINHUA in English 0839 GMT
4 Apr 88

["China's Entrepreneurs (5th of a Series): An Old Farmer With New Ideas"—XINHUA headline]

[Text] Tianjin, April 4 (XINHUA)—Yu Zuomin can't read very many Chinese characters, but because of his excellent ability in expressing himself Yu was named one of China's top ten rural entrepreneurs by the country's mass media last year.

"My success should be attributed to new ideas which are a result of the country's reform," said Yu, who had been a farmer for 59 years before becoming general manager of an agriculture-industry-commerce corporation in Daqiuzhuang, a village near Tianjin in Jinghai County.

During a 35-year term as secretary of the village's Communist Party branch, Yu saw a lot of young men who couldn't find wives because the village was so poor. He was just like other people in Daqiuzhuang who blamed the past for the village's poverty, but thanked the party for making things a little better.

"After attacking others and also being attacked for many years during the 'Cultural Revolution' and even before," Yu said, "I suddenly realized our present state is little better than before, and we should look at our own mistakes."

According to Yu, nine years ago, more than 250 men in the village were still looking for wives and this made him feel guilty. He finally decided to improve conditions by founding a new factory which could employ half the local labor force.

Now the village boasts four industrial corporations and more than 100 factories and enterprises, which turn 75 [words indistinct] different products, including steel, electronic [words indistinct].

"Of the village's 900 families, nobody is poor and young men no longer have to worry about finding a wife," General Manager Yu said, "because now many girls, including some university graduates, are even interested in working in the Daqiuzhuang."

Statistics show, at the end of last year, the village's total output value was listed at 200 million yuan (54 million U.S. dollars), and quotas were being met three years ahead of schedule.

"One of my main concerns of raising the village's living standard is also to improve education," Yu said, adding he is enforcing the nine-year compulsory education law for all residents under 40, has spent 2 million yuan (541,000 U.S. dollars) to build nursery schools and other education facilities, and has invited some university professors from Tianjin to help out [words indistinct] scientists and technicians from cities all over the country are working in Daqiuzhuang, Yu went on, and about a thousand university graduates have applied for jobs there.

"I was surprised by what Yu had accomplished because he used to be just an ordinary farmer," said Li Fengzhuang, 45, who came back to the village three years ago, "and I was amazed how open-minded everyone here has become."

Li left the village in the early 1960s. After finishing his military service, he found a job in the Baotou Iron and Steel Company in north China's Inner Mongolia Autonomous Region.

"After seeing the changes in Daqiuzhuang" Li said, "I decided to give up [word indistinct] Baotou and come back here to work as a farmer."

Hoping to pull more talented individuals from other areas, Yu is ready to open a research institute, which he says, "will be helpful not only to promote economic development but also to educate future generations."

Nuclear Technology Applied to Agriculture
HK050900 Changsha Hunan Provincial Service
in Mandarin 2300 GMT 2 Apr 88

[Text] According to the third congress of the China Society of Nuclear-Agricultural Science that opened in Changsha yesterday [2 April], China has made great advances in research in applying nuclear technology to agriculture. With the use of nuclear technology, China has cultivated 23 types of plants with a total of 243 fine mutant [tu bian] varieties, thus occupying first place in the world in this field.

Over the past few years, our province has made some advances in applying nuclear technology to agriculture. Since 1985, two achievements in this regard have passed provincial-level technical appraisals. Irradiation [fu zhao] processing technology has been applied to several dozen items, including foodstuffs, medicines, articles for daily use, and industrial raw materials.

Ministry Reports Increased Power Output
OW050934 Beijing XINHUA in English 1323 GMT
4 Apr 88

[Text] Beijing, April 4 (XINHUA) — China generated 129.27 billion kwh of electricity in the first quarter of this year, a 13.26 percent increase over the same period last year, according to the Ministry of Water Resources and Electric Power.

The figure is 24.62 percent of the annual plan.

Hydroelectric power stations accounted for 18.465 billion kwh, 18.47 percent of the annual plan and an increase of 31.56 percent over the same period last year.

The power output of most provinces, autonomous regions and municipalities also went up, compared with last year's first quarter, except for Guizhou Province and the Guangxi Zhuang Autonomous Region, whose output shrank by 3.5 percent and 2.8 percent, respectively.

East Region

Anhui Governor on Recruiting Skilled People
OW050931 Beijing XINHUA Domestic Service
in Chinese 0806 GMT 30 Mar 88

[By ANHUI RIBAO reporter Jiang Haibo and XINHUA reporter Chen Yun]

[Excerpts] Beijing, 30 Mar (XINHUA)—Lu Rongjing, a Seventh NPC deputy and Governor of Anhui, today talked to the news media in the capital and announced a five-point preferential policy to recruit skilled people.

Lu Rongjing said: "The key to rejuvenating Anhui lies in skilled people." He pointed out: We must attract skilled people and intellectual resources from other provinces and cities outside of Anhui, including skillful craftsmen with particular specialties. The five-point preferential policy in attracting them is:

— We are eager to hire those who will cooperate with Anhui by offering technical consultation or technology transfer and by developing projects on a contractual and cooperative basis, either full time or part time. We will double their original salaries. There is no limit to the amount of salary we will pay, and we will fulfill our promises definitely.

— We will help those skilled people who come to work in Anhui at our invitation solve their housing problems. [Passage omitted]

— Those who have made outstanding contributions will be given honorary titles and 1-3 step increases in salary. [Passage omitted]

— Even more preferential treatment will be given to those skilled people who are willing to work in Anhui's hilly areas, old liberated areas, poverty-stricken areas, and in collective and rural enterprises.

— College graduates or post graduates who are from Anhui originally are welcome to come back and work in Anhui. We also welcome college graduates or post graduates, who are not from Anhui originally but are needed badly in Anhui, to come to and work in Anhui. [passage omitted]

Chen Guangyi, Wang Zhaoguo Attend Fujian Meeting
OW051145 Fuzhou FUJIAN RIBAO in Chinese
13 Mar 88 p 1

[Excerpts] The Fujian provincial government held a meeting of prefectural commissioners and city mayors from 10 to 12 March. The meeting conveyed to the participants the guidelines of the national meeting of provincial governors, studied central leaders' instructions on the economic development strategy for coastal

areas, and discussed and arranged the tasks of accelerating and strengthening the reform of Fujian's foreign trade system and implementing in an all-around way the contracted managerial responsibility system.

Cai Ninglin, member of the Standing Committee of the provincial party committee and executive vice governor of Fujian Province, presided over the meeting. Vice Governor You Dexin conveyed to the meeting relevant instructions from the State Council and arranged the tasks of accelerating and deepening the reform of Fujian's foreign trade system and implementing in an overall way the contracted-managerial-responsibility system. Provincial party Secretary Chen Guangyi and Governor Wang Zhaoguo spoke at the meeting. Other participants in the meeting included Jia Qinglin, deputy secretary of the provincial party committee; Vice Governors Su Changpei and Shi Xingmou; and responsible people of provincial, prefectural and city departments concerned and some import-export trade enterprises and industrial and trade enterprises. [passage omitted]

The meeting called on the leadership at all levels to study the party's policies seriously, further emancipate the mind and improve the work style, seize good opportunities, work boldly and hard with one heart and one mind, fulfill their duties, create a new situation, and ensure implementation of the reform of Fujian's foreign trade system and a development of the province's foreign trade.

Gu Xiulian Attends Jiangsu Economic Work Meeting
OW051207 Nanjing XINHUA RIBAO in Chinese
7 Mar 88 p 1

[Excerpts] The Jiangsu provincial government held a meeting of responsible persons of its subordinate departments on the afternoon of 4 March. The meeting conveyed guidelines of a relevant national conference, and further specified the highlights of this year's economic work in accordance with the plan mapped out at the work conference of the Jiangsu Provincial CPC Committee. Governor Gu Xiulian spoke at the meeting. She stressed the need to understand the situation, summarize experiences, strengthen reform, make breakthroughs in developing export-oriented economy, and boost quality to bring fresh vitality to all kinds of work in Jiangsu Province.

Jiangsu's economic situation is indeed as good as the whole nation's. Its national economy continued to grow steadily in 1987. The GNP and national income, which are able to reflect economic scale, economic strength, and economic level, both increased more than 13 percent over the previous year, with the per capita income surpassing 1,000 yuan. The total value of output of rural areas, which is able to reflect the overall development of the rural economy, exceeded 100 billion yuan to reach 104.7 billion yuan, an increase of 8.6 percent over the previous year. The average labor productivity of the

whole people, which is able to reflect the economic results of industries, surpassed 20,000 yuan to reach 21,746 yuan, an increase of 9.7 percent over the previous year. The state revenue, which is able to reflect the overall economic results, exceeded 10 billion yuan to reach 10.7 billion yuan, an increase of 7.5 percent over the previous year. The total value of commodities sold at retail price in the society, which is able to reflect the prosperous market and strong purchasing power, exceeded 40 billion yuan to reach 41.8 billion yuan, an increase of 17.5 percent over the previous year. The earned foreign exchange, which is able to reflect expanded foreign trade, exceeded \$2 billion to reach \$2.115 billion, an increase of 23.4 percent over the previous year. The people's average savings deposits, which are able to reflect people's improved living and accumulated wealth, exceeded 300 yuan to reach 305 yuan, an increase of 37.2 percent. [passage omitted]

After the 13th CPC Congress, Comrade Zhao Ziyang, based on his in-depth investigation, research, and analysis of domestic and international situations, put forward the strategic idea of developing the export-oriented economy in China's coastal areas. The Jiangsu Provincial CPC Committee recently held a work conference to study and discuss the issues of developing export-oriented economy in Jiangsu Province and of reforming the foreign trade system. Based on the high plane of carrying out the guidelines of the 13th CPC Congress, we must unify our ideology and action, implement resolutely the economic development strategy for the coastal areas, develop an export-oriented economy, and speed up the reform of the foreign trade system. Various departments under the Jiangsu government should actively support and help various cities and counties in their efforts to reform the foreign trade system. They should offer good service and formulate plans and incentive measures for developing the export-oriented economy for various industries. Based on the principle of "importing more raw materials and exporting more products," cities and counties should utilize foreign funds and import technologies at a quicker pace, and at the same time earn more foreign exchange by increasing exports. They should make efforts especially to improve investment environment, develop "wholly foreign-owned ventures, Sino-foreign joint ventures, and Sino-foreign cooperative ventures," and endeavor to "process imported materials, assemble imported spare parts, reproduce imported samples, and engage in compensatory trade." In this connection, the Jiangsu government will further organize relevant departments and have them work together to simplify formalities for examination and approval and to raise work efficiency. At present, we should try in every possible way to ensure a stable supply of goods and strive to export more commodities in the first half of this year.

When carrying out this year's economic work, we must adhere resolutely to the principle of further stabilizing the economy and strengthening reform determined by the CPC Central Committee. We should let reform play a

dominant role, seriously solve the contradictions and problems arising in our advance, and make the whole national economy continue to develop steadily and coordinatedly. When trying to stabilize the economy, we must increase supply and at the same time reduce demand so as to maintain stable commodity prices on the market. We should focus our efforts on boosting industrial and agricultural production when we are trying to increase supply. The steady and coordinated development of the national economy is based on the stable development of agriculture. We should pay attention to the production of grain, cotton, hogs, and vegetable in this year's agricultural development.

As far as the climatic conditions in last winter and this spring are concerned, we are facing some unfavorable factors which will affect our summer crops. This merits our close attention. Of course, summer harvest is still a long time away, so the whole thing is not final. We must strengthen the management of crops in the fields and spare no efforts to reap a bumper harvest of summer-ripening crops. All departments of the provincial government must strive hard for the steady growth of agriculture and the overall development of rural economy. The agricultural departments must strengthen the guidance in agricultural production and carry out the management responsibility system. The industrial departments must produce more means of production for agriculture. The commercial and transport departments must allocate and supply goods and materials for agricultural use well. The financial and monetary departments must do well in supplying funds for agriculture. In industrial production this year, we are facing many favorable conditions. The trends on both domestic and international markets are still better; our power supply has improved; our input in previous years has brought us new productive force; and the contract system will also produce still greater economic results. However, we are also facing many difficulties. We are quite deficient in raw and other materials, funds, and foreign exchange. It is very difficult to promote production. The industrial departments must work out new countermeasures to deal with new situations. [passage omitted]

We must have a new concept in dealing with the question of commodity prices. We must act in accordance with the law of value. The state has made a scientific analysis on the question of commodity prices and adopted some measures. We should implement them resolutely. In addition, we must do the following two things well: First, we must help enterprises digest the factors of the rise of prices of raw and other materials. We must not shift them all on to prices of products. Second, we must strengthen the control over commodity prices. We must set some limits to the rise of prices of some commodities and to the extent of the rise of prices. We must also curb the trends of raising prices indiscriminately. We must particularly prohibit driving up commodity prices resolutely. [passage omitted]

Departments concerned under the provincial organization must study the policy well. They must encourage

and support the development of production of famous-brand, special, fine-quality and new products and the establishment of lateral ties with enterprises producing export products, incorporate more large and medium-sized enterprise groups into provincial and city plan, and explore new approaches to the economic structure and economic management. They must make internal reform in associations, strengthen their management, improve their organization, concentrate their strength, and fan out in all directions. They must develop the joint operations of scientific research and production actively, promote technological development, and carry out economic and technical integration step-by-step. They must encourage enterprises to further expand lateral association with enterprises in other provinces and associate in a planned way with enterprises on bases of energy resources and raw and other materials. In order to promote the development of enterprise contracting and lateral economic association in depth, we must also actively reform the supporting operations in planning, investments, goods and materials, finance, monetary affairs and housing, thus creating external conditions for carrying out enterprise reform in depth. While making the economic structural reform, we must strengthen the reform in the structure of science and technology, education, culture and public health. We must strengthen our work in this connection seriously.

Finally, Governor Gu called for all departments of the provincial government to implement resolutely the State Council's emergency circular on exercising strict control over social bodies' purchasing power and cutting down expenditures, adopt resolute measures, and guarantee the fulfillment of the State Council's task of curtailing social bodies' purchasing power. [passage omitted]

The meeting was presided over by Vice Governor Chen Huanyou. Vice Governor Ling Qihong also attended the meeting.

Wan Shaofen Speaks at Jiangxi Provincial Meeting
OW051123 Nanchang Jiangxi Provincial Service
in Mandarin 1100 GMT 14 Mar 88

[Excerpts] We should seize the good opportunity to catch up with others and accelerate the development of village and town enterprises. This is the view shared by all the participants at the Jiangxi provincial meeting of prefectural and city party secretaries, prefectural commissioners, and city mayors. The provincial party committee and the provincial government held the meeting in Yichun from 10 to 12 March. The meeting concentrated on discussing questions concerning village and town enterprises.

Some 150 people attended the meeting. They included prefectural and city party secretaries, prefectural commissioners, city mayors, some county and district party secretaries, some county and district heads, directors of

prefectural and city bureaus of village and town enterprises, and principal responsible persons of provincial departments concerned, colleges, and scientific research organizations.

Provincial party leaders Wan Shaofen, Liu Fengren, Xu Qin, Jiang Zhuping, Zhao Zengyi, Liu Zhonghou, Huang Huang, and Pei Dean attended the meeting. [passage omitted]

Wan Shaofen, secretary of the provincial party committee, delivered an important speech to the meeting. She hoped that the meeting would truly emancipate our minds, set new priorities for our policy measures, and bring about a breakthrough in the development of village and town enterprises. She emphasized four points: 1) To develop village and town enterprises is an urgent strategic task in Jiangxi's economic development; 2) It is necessary to strengthen reforms, adopt more flexible policies, and create a relaxed environment for the development of village and town enterprises; 3) It is imperative to increase investment to bring about a breakthrough in the development of village and town enterprises; and 4) It is necessary to establish a system of leading responsibility and seriously develop village and town enterprises.

Wan Shaofen said: Considering the situation of the national economic development and the demands set by the national economic development strategy, we must deem it a very urgent strategic task to improve Jiangxi's backward village and town enterprises as soon as possible. Considering the situation of our province, we should readjust rationally the geographical distribution of urban and rural economic undertakings and the structure of rural production, and promote the transfer of labor force. We should make people, villages, and counties prosperous and achieve comfortable living standards gradually. We must make great efforts to develop village and town enterprises to revitalize Jiangxi's economy in an all-around way. We must have a keen sense of urgency and responsibility, and continue to regard the development of village and town enterprises as an urgent strategic task and an important economic task under the new circumstances. [passage omitted]

Wan Shaofen said: The fundamental way to develop village and town enterprises is through reform. All localities should display a reformative spirit, adopt more flexible policies, offer better service, bring the contracted operations to perfection, introduce the element of competition, enhance the vitality of enterprises, and create a relaxed environment for the development of village and town enterprises. [passage omitted]

Wan Shaofen emphasized: In order to make a breakthrough in the development of village and town enterprises in Jiangxi, we must pay great attention to the question of inputs, including financial, material, and technological inputs. [passage omitted]

Vice Governor Huang Huang addressed the meeting on behalf of the provincial party committee and the provincial people's government. He discussed his views on the development of village and town enterprises.

He said: Since the 3d Plenary Session of the 11th CPC Central Committee, a rapid development has been made in village and town enterprises in Jiangxi Province. Particularly in the last 3 years, the rate of growth has exceeded 30 percent annually. Village and town enterprises are gradually becoming the mainstay of rural economy and an important component part of the economy. However, Jiangxi's village and town enterprises are still in a stage of initial development despite the growth. As compared with those of neighboring province, our village and town enterprises are backward in terms of total number, annual output value, the proportion of rural enterprise output value in the total rural output value, the number of counties and townships with booming rural enterprises, size of enterprise, and productivity. [passage omitted]

Huang Huang said: We should further strengthen leadership over village and town enterprises. All localities and departments should place the development of village and town enterprises as an important item on their daily agenda, and pay attention to it. Number one party and government leaders should take an interest in the work of developing village and town enterprises, and a responsible comrade should be assigned to take charge of the work fulltime. County, township, and village leaders should devote their main energies to the development of village and town enterprises.

Liu Fangren, Xu Qin, Jiang Zhuping, Zhao Zengyi, and Liu Zhonghou also spoke at the meeting.

The prefectural and city party secretaries, prefectural commissioners and city mayors visited nine village and town enterprises in Anyu, Gaoan, Shanggao, Wanzai, and Pingxiang prior to the meeting.

Central-South Region

Guangdong Reforms Financial System
HK041425 Beijing RENMIN RIBAO in Chinese
21 Mar 88 p 3

[Article by Lin Ruo, secretary of Guangdong Provincial CPC Committee: "A Successful Attempt To Reform the Financial System"]

[Text] When a Financial Contract System Exists Between the Central Authorities and the Province, the Financial Contract System Should Also Be Adopted at the City, Prefectural, and County Levels so That Each Locality Can Be Responsible for Its Own Finances [subhead]

After the 3d Plenary Session of the 11th CPC Central Committee, as an open province, Guangdong was able to adopt some special policies and flexible measures. Since 1980, the central authorities have begun to adopt a new financial policy in Guangdong. According to this "financial contract" policy, Guangdong will turn over a fixed part of its financial revenues to the state authorities, and the financial contributions will remain unchanged for 5 years. Thus financial revenues and expenditures can be divided between the province and the central authorities. Of the special policies in Guangdong, this is the most important one. Under this new financial system, Guangdong will not only ensure a stable contribution to central finances every year, but will also have the authority to expand and use the financial resources in the hands of the provincial government so that we can arrange local construction and support the poor areas in a planned way. This also promotes our financial revenue and overall economic development.

However, when we began to implement the new financial contract system, we lacked experience and did not take effective measures to actually break through the old conventions in handling financial affairs. Although the province bore financial responsibility to the central finance through the fulfillment of the financial contribution target, similar financial contracts were not adopted in cities, prefectures, counties, townships, and towns. That is, the localities at different levels did not have to bear responsibility for their own financial revenues and expenditures; instead, they continued to "eat from the big pot" of the province's finances. In the 5 years from 1980 to 1984, the total of the industrial and agricultural output of the whole province increased by 70.5 percent, and the general social income was almost doubled. However, the financial revenue in this period increased by only 44.4 percent, which was lower than the growth rates of industrial and agricultural production and the general social income. Moreover, the ratio of financial revenue to the general social income also fell from 16.2 percent to 12.3 percent; and the ratio of financial revenue to the total industrial and agricultural output value declined from 10.3 percent to 8.6 percent. Due to the limited financial capacity of the provincial government, many necessary projects had to be delayed or even suspended, and this affected the rational and coordinated development of economic construction throughout the province.

This problem attracted serious attention from the provincial party committee and the provincial government. Through investigations and studies, we found the causes of this problem. It was because the old financial system left little financial power in the hands of local authorities, and if they tried to quicken the technological transformation of their old enterprises and do something else, they would take every possible means, such as tax exemptions or tax reductions, to retain more profits in their hands, to scatter the financial resources, and to cover up their actual incomes. Some cities and counties did not develop production rapidly and did not increase

their financial revenues substantially, but they still increased expenditures every year and costs of many local investment projects had to be borne by the provincial finances, and this also reduced the financial revenue of the province. Some localities which contributed revenues to the province also became dependent on financial subsidies from the province. If the province's old financial system was not changed, it would just result in "penalizing the advanced" and "pampering the backward," thus dampening local initiative in increasing revenue and practicing thrift.

In view of this situation, when the central authorities laid down the second-phase financial quotas to Guangdong, we then took a resolute step to reform the "big pot" financial system inside the province; we introduced a financial contract system at the city, prefectural, and county levels. Different kinds of financial contracts were adopted in different areas in light of their economic development and financial conditions: The special economic zones could retain all financial revenues; Guangzhou City could retain a certain percentage of its additional revenue after fulfilling the target of financial contributions to the province; different financial contribution quotas were assigned to the five cities of Foshan, Jiangmen, Shaoguan, Zhanjiang, and Maoming; a fixed amount of financial subsidies was given to such cities and counties as Shantou, Zhaoqing, Huiyang, and Meixian; financial allocations for the three nationality autonomous counties in northern Guangdong increased by 10 percent every year; and financial allocations for some counties which could not make ends meet also increased by 5 to 10 percent every year. Meanwhile, all prefectures and cities also laid down financial quotas for their subordinate counties. With the establishment of finances at the township level, all counties also laid down financial quotas for the townships. Thus in the whole province, an overall financial responsibility system was established at all administrative levels in keeping with the financial contract system between the province and the central authorities.

The multilevel financial contract system enabled Guangdong to overcome the problem of financial revenue not increasing in pace with production. In 1985, the first year after the overall financial responsibility system was adopted, financial revenues in the whole province increased by 2 billion yuan. With some noncomparable factors being deducted, the net increase in financial revenues reached 1.5 billion yuan. In the 3 years between 1985 and 1987, financial revenues increased by a total of 4.5 billion yuan, and the average yearly increase was equal to the total increase in financial revenues in the 5 years between 1980 and 1984. According to the calculation of comparable factors, the average annual growth rate of financial revenues was about 20 percent. In 1987, the ratio of financial revenue to the general social income rose to 14.1 percent; and the ratio of financial revenue to the total industrial and agricultural output value rose to 9.9 percent.

With the Financial "Big Pot" Being Broken Down, the Initiative of Governments at Various Levels for Expanding Their Financial Resources, Increasing Revenues, and Practicing Thrift Rose to an Unprecedented High [sub-head]

Practice has shown that the multilevel financial contract system can fully arouse the initiative and enthusiasm of governments at various levels for expanding their financial resources and increasing revenues so that it is not just the provincial authorities who are concerned with the financial issue, but the local authorities at various levels are also concerned with their financial conditions. So we think that the new method is a good form of financial management at the current stage.

First, the new overall financial contract system embodies fully the principle that governments at all local levels should take good care of their own finances in a democratic way. The old financial management system seemingly placed stress on "fair" distribution of financial resources, but its social effects were not good enough. Now under the new system, the developed areas can accumulate more financial resources for self-development after they fulfill the financial contribution target; the developing areas and special economic zones can retain all financial revenues for their capital construction; and poor areas can obtain necessary financial support to quicken their pace in overcoming poverty. As a result, the localities of different categories can all build up their financial capacity, more reasonably arrange their expenditures, and create a benign cycle in their financial revenue and expenditure. In 1987, financial revenues of 15 counties and cities exceeded 50 million yuan, and the number of counties and cities that obtained a revenue over 100 million yuan increased to six from two before the financial contract system was adopted.

Second, the establishment of the new financial system not only guarantees that the provincial revenue can increase steadily every year, but also enables the local governments to retain a considerable percentage of the additional revenues for their own use. Thus the local authorities can arrange their expenditures more reasonably and local capital construction, according to their own financial conditions, and can make better use of the economic levers to regulate the economic operations and production development.

Third, under the multilevel financial contract system, the government at a higher level will have to leave more financial resources in the hands of the subordinate governments, and the general strategy is to "give first, and take later." In recent years, cities and counties have been increasing their financial contributions to the province every year, as has the province to the central government. Beginning this year, Guangdong will

increase its financial contribution to the central government by a rate of 9 percent every year, with its financial contribution in 1987 as the base. This method will be adopted in the next 3 years.

Fourth, the new financial system will strengthen our financial management and make it more effective, and financial discipline will be enforced more strictly. The phenomena of scattering financial resources, concealing incomes from the upper authorities, and withholding profits that should be turned over to the government at the higher level will be checked effectively and prevented. With the financial "big pot" being broken down, the increase or decrease in financial revenue of a local government will be linked directly with its own benefit and interests, so local governments will not let the financial resources drift away indifferently, and need not play any tricks to conceal or retain their financial incomes. Under the financial contract system, the provincial financial department will also be able to devote more time and manpower to help cities and counties perfect their local financial systems, and can more effectively play a supervisory role to ensure the normal operation of the financial management mechanisms.

Financial Reforms Have Promoted the Vigorous Development of Commodity Production, the Market Mechanisms, and the Price Reforms [subhead]

Will the multilevel financial contract system cause economic barriers between different localities, thus hindering the development of the commodity economy? Such worries are uncalled for. Facts have proved that the multilevel financial responsibility system can have a powerful impact on the old highly centralized financial management system which obstructed the development of the socialist commodity economy, can promote the reasonable circulation of funds and commodities, and can stimulate the growth and maturity of the market mechanisms, thus strengthening the commodity economy. The financial responsibility system gives greater financial power and more financial resources to local governments, thus making them more active and efficient in managing local economies. This will certainly promote the transition from a product economy to a commodity economy and promote the shift from an economy oriented to domestic markets to an economy oriented to international markets. More importantly, with the growth in the financial capacity of local governments at various levels, they will also have a greater bearing capacity to advance the price reforms. With the price structure being rationalized, markets will become brisk, and mature market mechanisms will take shape.

Admittedly, the increase in financial revenue should rely basically on the development of the productive forces; but if a breakthrough is made in the financial management system, it will also influence reforms in other fields and will promote the development of the productive forces eventually. So its significance should not be underestimated. The reform achievements in various

fields in Guangdong are all attributed to the support of the abundant financial resources gained from the reform of the financial management system. Between 1980 and 1986, Guangdong used a total of 18.5 billion yuan to support price reforms, wage reforms, and enterprise management reforms. So we can say that without reforming the old financial management system, it would be hard to carry out and deepen the economic structural reforms in other fields. Meanwhile, without coordinated reforms in other fields and without the comprehensive effects of the reforms in all aspects, it would also be hard for the financial reforms to achieve positive results. So I think that a breakthrough should be made by adopting the financial responsibility system at all administrative levels to advance overall economic reforms.

The multilevel financial responsibility system in Guangdong was a product of reform practice, and needs to be continuously improved in further reform practice. We are still studying the issues of how to verify more accurately the financial quotas and contribution percentages for various localities, how to make the financial contributions of the developed areas more rational, how to increase the "blood-making" function of more areas while continuing the "blood transfusion" to them, and how to further rationalize the financial expenditures.

Guangxi Party Leader Discusses Current Issues
HK050201 Nanning Guangxi Regional Service
in Mandarin 1030 GMT 4 Apr 88

[Excerpts] A 4-day meeting of the Standing Committee of the regional party committee concluded on 4 April. The meeting relayed and implemented the guidelines of the 2d Plenary Session of the 13th CPC Central Committee and discussed and studied the question of implementing in Guangxi the central strategy on coastal economic development. [passage omitted]

Regional party committee Secretary Chen Huiguang relayed the guidelines of the 2d Plenary Session of the 13th CPC Central Committee. On behalf of the regional party committee, he put forward the following views on implementing these guidelines:

1. Understand the relationship between economic stability and economic development correctly. Under the premise of paying attention to economic results and ensuring stability and coordination, we should maintain a relatively high growth rate in Guangxi.

Guangxi is a backward region in China; its economic foundation is rather weak and its economic development rather slow. Unless we strive for a growth rate higher than the national average, it is impossible to narrow the gap between us and advanced provinces and regions, and the gap will even grow ever wider.

He said: Viewed from Guangxi realities, striving for relatively rapid economic growth and stability under the premise of improving economic results is not only essential but feasible. He expressed the hope that the leaders at all levels will have a correct view of the relationship between economic stability and development. It is necessary to take a subjective and dialectical view of the current state of the region's economic construction. We must see both the difficult and the favorable aspects. [passage omitted]

2. Seize the favorable chance and resolutely implement the economic development strategy for the coastal regions. He said: The central authorities recently proposed the coastal-economic-development strategy. This is a new creation and development in implementing the guidelines of the 13th party congress. It is a major step of far-reaching significance. Effecting this strategy is of particularly great importance for Guangxi. It can stimulate relatively swift economic growth in the coastal economic open zone in southeast Guangxi, fully tap the abundant manpower and natural resources in northwest Guangxi, speed up the work of extricating poor areas from poverty and enriching them, bring about new economic development in the three key cities of Nanning, Liuzhou, and Guilin, achieve the shift of the rural labor force, and promote lateral economic ties between the great southwest and Guangxi.

Comrade Chen Huiguang said: Guangxi has many favorable conditions for organizing the implementation of the coastal development strategy. We must seize the favorable opportunity, take full advantage of the region's favorable conditions, and strive to achieve this strategic shift. He demanded that, while organizing the implementation of the coastal development strategy, people further emancipate their minds and regard reforms as dominant in everything. The leaders and cadres throughout the region must insist on seeking truth from facts and regard the question of whether the development of the productive forces is promoted as the fundamental criterion for testing all work. [passage omitted]

Chen Huiguang said: In implementing the coastal economic development strategy, we must pay attention to basing the effort on the region's characteristics. While extending the two ends outside and importing and exporting on a large scale, we should also act in light of local conditions by extending one end outside and the other inside, or the big end outside and the small end inside, and importing on a small scale and exporting on a large scale. All localities must, on the basis of further unifying their ideas, mobilize the forces of all sectors to carry out thorough investigation and study and formulate as soon as possible realistic plans for implementing the strategy.

He said: In accordance with the central intentions and in light of the region's realities, the regional party committee has formulated a decision on implementing the coastal-economic-development strategy. This document

will be supplemented and perfected after concentrating the views expressed at this meeting and after further investigation and study. All localities should seriously implement it. This is a major guideline and strategic measure for implementing the coastal economic development strategy in Guangxi. In accordance with the intentions of the central authorities and the regional party committee, all departments and areas should draw up as soon as possible still more flexible policies and measures to match the strategy. All levels and all sectors and trades should work in concert to make their proper contributions to implementing the coastal economic development strategy.

3. Grasp agricultural production seriously and resolve the problem of excessive fluctuations in food prices seriously. He said: In grasping agricultural production, we must first establish firmly the idea that agriculture is the foundation of the national economy and grain is the foundation of the foundation, seriously tackle grain production, and promote diversification and the township and town enterprises actively. We must take effective steps to increase agricultural input and organize the supply of materials for agriculture. [passage omitted]

We should combine the developing agriculture for earning foreign exchange with promoting agricultural modernization, and speed up the development of rural commodity economy.

In grasping agricultural production, we must attach importance to applying the law of value. In developing agricultural production and increasing the supplies of agricultural produce, we must pay particular attention to boosting the production of pigs, vegetables, poultry, fish, eggs, and milk. This is the key to solving problems regarding the food basket. We must attach importance to operations on a substantial scale and to factory-style production, and establish strong supply bases for meat, fish, eggs, milk, and vegetables. [passage omitted]

4. Do a good job in grasping party building. The 13th party congress called on us to strengthen party building amid reforms and opening up, to enable the party to better shoulder its great historic mission of leading the building of socialism with Chinese characteristics. The party committees at all levels must assign an importance place on their agenda to party building, including ideological and theoretical building, the building of the cadre force, building of party style and discipline, and grassroots building, and get a thoroughly good grasp of this work. Party building should stimulate the entire effort to build socialist spiritual civilization.

He pointed out that in grasping party building, it is currently necessary to carry out study and practice on the following two points: 1) the question of how to perfect party building and give scope to the party's leading role under conditions of reform and opening up; 2) the question of how the party organizations at all levels

should regard economic construction as the core in carrying out the party's various tasks following the separation of party and government functions. [passage omitted]

He expressed the hope that, as a result of this meeting, the thinking of the leaders, the party members, cadres, and masses will be further unified and they will further emancipate their minds. They should regard reforms as dominant in everything and do a good job in the region's economic construction, economic and political structural reform, party building, and all other work. In particular, they should do a good job in organizing the implementation of the coastal development strategy, so as to liberate the region's productive forces still more and bring about still faster development in economic construction and still further improvement in living standards.

Li Zhenqian, deputy secretary of the regional party committee, relayed the guidelines of the two national education meetings and the national science and technology work conference. He also put forward specific measures for implementing them. [passage omitted]

Guangxi NPC Deputies in Favor of Opening Up
HK051410 Nanning Guangxi Regional Service
in Mandarin 1030 GMT 2 Apr 88

[Text] There are vast vistas for the opening up of Guangxi's coastal areas. This is the confidence shown by Guangxi deputies to the first session of the Seventh NPC.

In discussing the Government Work Report in the past few days, Guangxi deputies have also presented some opinions and proposals and voiced their hope that the central authorities will adopt some appropriate policies in support of the opening up process.

Li Enchao, deputy from Yulin Prefecture and prefectural administrative commissioner said: The economic opening up of the coastal areas is of great strategic significance. We hope that the central authorities will launch this program as soon as possible. The central authorities recently approved the opening up program for Yulin City. This is a great gratifying decision. In view of the fact that Yulin Prefecture borders on an open area of Guangdong Province, we request the central authorities to implement in Yulin the same policies as those implemented in the open areas of Guangdong.

Lin Jianqing, deputy chief of the Research Center of the Secretariat of the CPC Central Committee; Cheng Kejie, vice chairman of the Guangxi regional people's government; and (Huang Zhenwen), NPC deputy and administrative commissioner of Liuzhou Prefecture share the same view. They said: Among the five minority nationality autonomous regions, Guangxi is the only one that has a coastline. The region has a poor economic basis and lags behind many other provinces and regions in

economic development. While the northwestern part of the region is relatively impoverished, southeastern Guangxi enjoys more favorable conditions for the development of an export-oriented economy than the other autonomous regions. Therefore, it is a very significant move to adopt the strategy of opening up and developing the coastal areas in southeastern Guangxi and helping northwestern Guangxi get rid of poverty. In view of the wide gap between rich and poor provinces and regions in our country, we suggest that the central authorities implement the more preferential special policies to the poorer open areas. We request that the central authorities allow southwestern Guangxi to retain all its foreign exchange revenue, implementing an opening up policy like those currently being implemented in Xiamen in Fujian Province and in Tibet.

Deputy director of the Administrative Committee of the Fangcheng port district Wei Shurang suggested that the State Council take bigger strides in and expand the scale of the opening up program and, in particular, adopt a more preferential policy toward the open areas in Guangxi regarding the retention of foreign exchange revenue, the turning over of taxes collected by customs offices in port cities, the decisionmaking power in running foreign trade, the expansion of the foreign trade enterprises' power to approve foreign trade projects, and the power to approve applications for traveling abroad.

Deputy Director of the Guangxi Academy of Sciences Chen Zhenyu said: To ensure that the reform and opening up will proceed smoothly, first, we must straighten out internal relations, ensure harmonious development, and minimize the effect of internal drawbacks; second, the efforts to enhance lateral economic ties must be integrated with investments made by the central government; and, third, we must attach importance to the results of scientific and technological research, get rid of concepts arising from the small-peasant economy, and improve the investment environment.

Qinzhou Prefectural Administrative Commissioner Ping Lei and Fangcheng multinational autonomous county Deputy Magistrate Ruan Chengde noted: Qinzhou City and Fangcheng County have recently been approved by the State Council to become open areas. Both places are inhabited by minority nationalities and are located along the border. The smooth development of the opening up program in these two places is of great significance to speeding up economic development in minority nationality areas and to strengthening border defense. However, these two places enjoy only generally preferential policies for open areas. We suggest that the central authorities implement more preferential policies there.

Southwest Region

Lhasa Official on Agriculture, Animal Husbandry
HK051434 Lhasa Tibet Regional Service
in Mandarin 1130 GMT 4 Apr 88

[Excerpts] In his speech at a Lhasa City work conference on agricultural and animal husbandry, (Wang Jingquan),

vice mayor of Lhasa, stressed: Deepening our rural economic structural reform and strengthening the sense of urgency for the promotion of agriculture and animal husbandry are the most important tasks in promoting our agricultural and animal husbandry production. [passage omitted]

According to (Wang Jingquan), in promoting Lhasa's rural economic reforms, we must firmly foster the guiding ideology based on commodity management; gear ourselves to the needs of the market; devote a lot of time and energy to promoting combined services; raise the organizational level of commodity production; and help peasants and herdsman solve problems in preparing for, carrying out, and completing production work as well as problems in promoting commodity circulation. [passage omitted]

North Region

Nei Monggol To Support Coastal Areas
HK051549 Beijing RENMIN RIBAO in Chinese
27 Mar 88 p 4

[Article by Wang Qun (3769 5028) and Bu He (1580 6378): "Nei Monggol Should Willingly Play a Role in Supporting the Coastal Areas"]

[Text] As a result of the development of the commodity economy the world market has become an entirety. The new changes in the current world economic situation has provided China, especially its coastal areas, with a new opportunity for development. Under such a general situation, what should Nei Monggol do? In our opinion, Nei Monggol must give full play to its superiority in natural resources and make use of its rich energy resources, raw materials, and comparatively cheap semifinished and primary products to attract the funds and technologies of the coastal areas and other developed areas of the hinterland, so that exploitation of its natural resources can be speeded up and its ability to develop itself can be gradually enhanced, and so that the export-oriented economy can be better developed in the coastal areas and other developed areas in the hinterland.

Can Nei Monggol also develop an export-oriented economy like the coastal areas and "put both ends of the production process on the world market?" Generally speaking, this cannot be done at in the near future at least. The coastal areas have comparatively sufficient funds and developed industries. The working personnel there have a comparatively good technological quality and a good sense of commodity and competition. Moreover, communications are relatively convenient in those areas, which also have quicker access to information. Nei Monggol is unable to compare with them in all these respects. What position should our region be placed in then? Judging from the overall situation, we can see that in the reforms over the past 9 years, a pattern of opening up gradually from east to west has been formed. However, since the eastern coastal areas, which have a good

processing ability, do not have sufficient natural resources while there are rich resources in central and western China, it is necessary and possible for us to share out the work and cooperate with one another in our domestic circulation and promote internal commodity exchange.

Nei Monggol is superior in natural resources, which are much needed by the coastal areas, but is badly short of funds, technology, and technicians. This decides that we should willingly play a role in supporting the coastal areas in this respect, and provide the coastal areas and other developed areas in the hinterland with suitable raw materials, semifinished products, and primary products, so that the coastal areas can advance toward the world market more vigorously, and so that there can be more domestic markets for promoting the stable development of the domestic economy, especially the economy of the undeveloped areas. Obviously, this is a very good thing both for the country as a whole or for Nei Monggol as a part.

Economic development can never be even in all countries and regions. The economic returns from selling raw materials, semifinished products, and primary products are certainly not as high as those from deep processing and precision work. However, this is an impasse for areas with rich resources but lacking funds and technology. Only by introducing funds and technology from the coastal and other developed areas through overall opening up and various other ways, and by exploiting our local resources can we constantly enhance our economic strength and our ability for self-development.

What is the relationship between Nei Monggol's strategy of transferring natural resources and the coastal area tactic of "putting both ends of the production process on the world market?" In our opinion, "putting both ends of the production process on the world market" is an important tactic of the coastal development strategy, and a considerably long time is needed in order to realize it. For a rather long period to come the coastal areas should still take the central and western areas as their raw material and energy bases. Only thus can they cope with the changeable international market. In this sense, our strategy of transferring natural resources is not contradictory to the coastal area tactics of "putting both ends of the production process on the world market." On the contrary it will help satisfy their need for raw materials and energy and is conducive to readjusting the distribution of funds and the industrial structure of our country.

How do we weigh the advantages and disadvantages of this? The commodity economy is an open economy. If we are afraid of the "outflow" of resources and adopt the policy of closing to the outside, we will be unable to introduce funds and technology from outside to exploit our rich natural resources, and we will be unable to achieve self-development. Although judged from our immediate or partial interests we are likely to suffer

some "small losses," judged from our long-term and overall interests we will make "big gains." It is conducive to the economic development of our region and of our country as a whole.

In the vast area of Nei Monggol there are rich natural resources. "There are forest resources in the east and iron ore in the west, grain is grown in the south and animal husbandry is developed in the north, and there are rich mineral resources everywhere." There is great potential for our economic development. Our mineral resources are rich and good and are easy to exploit. The reserves of more than 70 mineral resources have been verified. The reserves of 7 mineral resources in our region are the highest in our country and the reserves of 10 others are the second highest, while the reserves of 25 others rank third to 10th in the country. The reserve of rare-earth metal is several hundred percent higher than the total proven reserves of the world. Four of the five open caste coal mines to be developed during the Seventh 5-Year Plan are in Nei Monggol. There are also rich above-ground resources in our region. With its vast grasslands, which make up 1/3 of our country's total grassland area, Nei Monggol is an important animal husbandry base. At present, it has more than 40,000 head of domestic animals and is capable of producing more than 100 million jin of wool and more than 10 million pieces of leather a year. Nei Monggol is also rich in forest resources. Two-thirds of the famous Daxinganling is within the boundaries of our region, which has about 1/10 of the nation's timber resources.

Nei Monggol must make good, flexible, and sufficient use of the power entrusted to it by the "Constitution" and the "Law on Autonomy of Nationality Regions" as well as the preferential policies provided by the CPC Central Committee and the State Council to create a good investment environment so as to attract funds, technology, and technicians from home and abroad, and speed up the exploitation of the region's natural resources.

First, it is necessary to reduce taxes and offer more preferential prices to investors and cooperators from outside the region in their purchase of raw materials, semifinished products, and primary products so that they can earn greater profits and can be attracted to our region to run factories and exploit mineral resources. Regulations have recently been worked out on further promoting lateral economic ties and giving preferential treatment to foreign investors, including free use of land by all the wholly foreign-owned enterprises, Sino-foreign joint ventures, and Sino-foreign contractual joint ventures established in our region. In respect of reducing and remitting enterprise's income tax and local income tax, the methods adopted by the special economic zones and the coastal open areas will be taken as our reference, and in certain respects we will adopt even more flexible methods than those areas. In the period of compensation, the new products of the new or expanded projects

using the funds imported through compensation trade will not be included in the mandatory production or allocation plans. The enterprises are allowed to use them for compensation.

Second, it is necessary to improve our services in various fields to facilitate the investors and cooperators from outside. All factories and mining enterprises established in our region in the form of a joint venture or wholly private-owned enterprise and with the purpose of promoting energy construction, the construction of communications and transport facilities, and the production of raw materials in our region, will not be restricted by the region's fixed quotas for capital construction and the problems concerning the scales of investment will be solved by the region. We will also adopt measures to ensure our services in various fields including material supply, credit loans, and preferential treatment for personnel from outside, while ensuring the decision-making power and reducing the burdens of the enterprises. At the same time efforts will be made to further strengthen economic legislation work and to perfect our legal system so that the legitimate rights and interests of the investors will be protected according to law.

Third, rewards will be given to those units and individuals who help introduce funds and technology to Nei Monggol. Reward and remuneration will be given in light of different cases to all those who give support and offer technological consultation services to their counterparts in Nei Monggol and help them develop new products, improve product quality, and increase technological and management levels; all those who help introduce funds and technology to the region; and all those who help our enterprises increase economic returns greatly by providing them with important economic and technological information.

The key to adapting ourselves to the changes in the development strategy is to promote our own reforms and development. We must improve the operation mechanism of our enterprises and give full play to their enthusiasm. We must readjust and improve our industrial setup and speed up technical progress and increase both the technological and management levels and product quality of our enterprises so that more and better marketable products can be produced.

Tianjin Sino-Foreign Ventures Recover Investment
OW060105 Beijing XINHUA in English 1219 GMT
3 Apr 88

[Text] Tianjin, April 3 (XINHUA)—Twenty-one Sino-foreign joint ventures, or 15 percent of the total in Tianjin, have recovered their capital investment, Zhong Xiuying, chief accountant of the city's Foreign Investment Service Center, announced today.

Tianjin has 135 operational foreign-invested enterprises, with a combined volume of sales exceeding 600 million yuan (162 million U.S. dollars) a year.

One third of them have a profit rate of 20 percent, including 20 each yielding at least 1 million yuan (270,000 U.S. dollars) in net profits annually.

'Outside Interference' Troubles Contractors
OW050848 Beijing XINHUA in English 1041 GMT
4 Apr 88

[Text] Beijing, April 4 (XINHUA) — Too much outside interference has forced two contracted managers to consider resigning from their positions at a Tianjin factory which they had turned around in the past few years, today's ECONOMIC DAILY reported.

The two, Song Lujin and Liu Lanxiang, both known reformers in the city, signed contracts to run the city's No. 3 notebook-making factory in 1984, a year in which it suffered a loss of 290,000 yuan, the paper said.

The following year, the two, who had once been employees in the factory, helped it turn profitable — all together 1.02 million yuan in profits and taxes. Since then, the factory has made about five million yuan in profits and taxes.

However, since the beginning of this year, business has been slack for reasons which Song and Liu attribute to what they term "outside interference". As a result, they are strongly considering tendering their resignations.

Talking about the problem, the 38-year-old Song said that they have shouldered more than their share of the responsibility and duties but have not been given the due power to manage the factory. "It is extremely difficult for you to run a factory when you have such limited powers," he said.

To give one example, he cited the area of personnel management. According to Song, it is the superiors above him and his colleagues who have the final say on whether to hire or fire an employee. "We don't even have the power to dock the salaries of workers who breaks factory regulations," he said.

The paper said Tianjin city authorities have decided to help Song and Liu tide over their difficulties.

Northeast Region

Heilongjiang's Sun Weiben on Productive Forces
SK060356 Harbin HEILONGJIANG RIBAO in Chinese
15 Mar 88 p 1

[Speech given by Sun Weiben, secretary of the provincial party committee, at the enlarged Standing Committee meeting of the provincial party committee on 9 March: "Further Emancipate Thinking, Deepen Reform, and Develop Productive Forces"]

[Text] Through study over the past few days, all comrades have offered many good ideas. Based on their discussions, I would like to touch on the following few issues:

The Economic Situation [subhead]

The basic guidelines of the Central Document No 1 are to understand the 1987 economic situation correctly, persist in giving consideration to the overall situation with a view on reform, and enable the national economy to develop continuously in a steady and coordinated manner. The sound development of productive forces fundamentally indicates last year's good economic situation. Like all places in the country, our provincial situation is good. The Political Bureau of the CPC Central Committee analyzed the good experiences and new characteristics in the 1987 economic work, and found out that the major economic relations were further rationalized; a fairly big growth rate was achieved in a situation in which the total sum of working funds and loans was reduced to a certain extent; the deepening of the structural reform helped to ease some contradictions in economic life; and new progress was made in controlling the macroeconomy while invigorating the microeconomy. All this conforms completely to our provincial situation. Last year, our province succeeded in overcoming serious natural disasters, such as low temperatures, flooding, waterlogging, early frost, wind and snow storms, and reaped an unprecedented bumper harvest despite a year of serious disasters. We maintained a fairly large growth rate in industrial production under a situation in which the prices of raw materials rose, power was inadequate, funds were in short supply, and enterprises' pressure of self-digestion intensified. The good economic situation was resulted from our persistent reform efforts. The excessive increase in commodity prices is a problem in our road of advance. It results from our overcautious efforts in price reform and our failure in deepening reform.

While affirming our achievements, we should also find out where we lag behind. Compared with other localities vertically, we have made progress in our economic work, and compared laterally, we are far behind. Summarizing it into one point, our disparity is precisely a disparity in reform. Our strides are not as big as other advanced provinces and cities in terms of enterprise invigoration, rural reform, circulation, finance and taxation, opening up, and delegation of powers to the lower levels. We "wake up early but get up late," and we fail to grasp the work adequately.

After the issuance of the new strategy of the central authorities on developing the coastal areas, the situation became more pressing and gave us three new pressures. First, because the coastal areas are by nature prosperous, they will further accelerate their rate of development after implementing the new economic development strategy, and will possibly enlarge our disparity with them and thus will create economic pressure for us. Second, along with the implementation of the development strategy for the coastal areas, cadres and the masses will set higher hopes and greater demands on the provincial party committee and government, and thus will bring us a political pressure imperceptibly. And third,

because the coastal areas have a better work foundation, their work will become more active after implementing the new development strategy, and thus will bring pressure on our work. Our purpose of finding out the disparity is not aimed at pursuing the responsibility of persons, but is aimed at encouraging the people to look forward, to intensify the sense of urgency, crisis, and responsibility, to grasp the opportunity, to give consideration to the overall situation with a view on reform, and to accelerate our efforts to invigorate Heilongjiang.

Further Emancipate Thinking [subhead]

The premise of deepening reform is to further emancipate thinking. The eighth enlarged plenary session of the fifth provincial party committee adopted a report calling for efforts to emancipate our thinking in 10 fields. We should recognize that the proposal of such demand was not too late at that time. The question facing us is to grasp and implement this demand. I once said that we should do a good job in emancipating thinking, deepening reform, paying attention to the standard of productive forces, and promoting the development of the commodity economy.

Judging from the current situation, the core of further emancipating minds is to set forth the standard of productive forces. Therefore, a good job must be done in carrying out a provincewide mass discussion on emancipating minds and on the standard of productive forces and deepening the discussion step by step. The report delivered at the 13th CPC Congress has pointed out clearly: "What we should regard as a starting point in deeply thinking over all issues and a fundamental criterion in testing all work is to determine whether it is favorable to developing productive forces," thus telling us what the central authorities' real intentions are. I, hereby on behalf of the provincial party committee, am telling you that the work you conduct should be favorable to developing productive forces and the work that you should throw away resolutely are those obstructive to developing productive forces. By following the road taken by Guangdong Province, we should utilize the central policies in a lively way successfully and satisfactorily and implement them creatively and by bearing in mind the actual local situation. We should dare to do what is regarded as feasible by the central authorities and what is confirmed clearly by the central authorities. By proceeding from the way favorable to developing productive forces, we should boldly carry out exploration, practice, and experiment. We should correct resolutely all problems upon their discovery in the course of practice. We should study continuously or solve on a trial basis problems which we cannot confirm for the time being, summarize or improve the experience gained in dealing with these problems, and should upgrade steadily the measure for handling these problems. On the premise of not violating the spirit of central policies, the provincial, city, and county authorities may formulate concrete or more flexible rules and regulations or detailed provisions suitable to their reality. All rules and

regulations favorable to developing productive forces should be relaxed as long as they can be relaxed, be enforced by making adaptations as long as they can be adapted, and should be utilized in a flexible way as long as they or even an article or act in them are flexible. On the basis of upgrading our understanding, we should examine the existing policies in the course of the mass discussion and put forward opinions on readjusting them. Efforts should be made to change rapidly the phenomenon in which "there are too many policies that were copied from the higher authorities or other places and so few policies that are flexible, can be adapted, and are not created by localities themselves." To this end, the provincial party committee and the provincial people's government should first take the lead in emancipating minds and, on the basis of study, the provincial level organs should also take the lead in examining the indicators which have hindered the emancipation of minds, exposing or presenting the problems which have affected adversely the drive to deepen reforms, and in formulating the measures of promoting the development of productive forces by means of reforms. Various departments should work out their plans for deepening reforms in April. No one is allowed to escape from the drive or to adopt a lukewarm attitude toward it. Leading personnel at all levels should engage personally in the drive to conduct reforms and to open up to the outside world in 1988. The provincial level departments should do a good job in handling their relationship with the provincial party committee and the provincial government. At present, the masses have complained that the "No 2 Document" has governed the "No 1 Document." Such a problem must be dealt with. The provincial level departments, being the working or advisory organs of the provincial party committee and the provincial government, should implement earnestly the decision and intentions made by the provincial party committee and the provincial government, actively pose as advisers, and refrain from only being commentators and exercising their veto power frequently.

In order to further emancipate minds, the responsible comrades of the provincial party committee and the provincial government should take the lead in organizing an observation group on a proper occasion to go to advanced provinces or municipalities by bearing in mind their problems to engage in study or to hold mobile studying classes in which they may engage in study, hold discussions, and formulate measures which can be implemented after returning to their units. We should also select comrades who have a final say and are in charge of the whole situation to go to advanced provinces and municipalities and to study abroad.

The Breakthrough of Reform in 1988 [subhead]

Emancipating minds is aimed at deepening reforms. Issues concerning the reform have already been arranged by the enlarged plenary session of the provincial party committee and the session of the provincial People's

Congress. We, today, select the following several key questions on which we should stress: First, we should accelerate the political structural reform.

We should make a step forward in the political structural reform in line with the requirements for separating the party from the government, streamlining organs, and changing functions put forward at the 13th party congress. The situation is forcing us to firmly grasp this work. If we cannot carry it out at one time, we may divide it into two stages, and carry it out step by step. At present cadres and the masses of staff members and workers are in an anxious state of mind, and have numerous misunderstandings, holding that the political structural reform means to streamline organs, and to streamline organs means to cut down personnel. Some cadres are looking for a way out by themselves, and others have a sense of loss, holding that political work cadres are the targets of the political structural reform. If we do not implement the reform as soon as possible, our work will be affected. The forthcoming first session of the Seventh NPC will make public the plan for the institutional reform of the State Council, which is bound to affect lower levels. In line with the principle that higher levels go ahead of lower levels, provincial organs should take the lead in the political structural reform of our province. After investigations and study, and repeated discussions, the plan for the political structural reform of the organs under the provincial party committee has taken shape in its initial form, and is being discussed and revised in all organs. We will strive to put it into effect as quickly as possible. The plan for the institutional reform of the provincial government has also been formulated, and will be discussed and put into effect after the plan for the institutional reform of the State Council comes out. With regard to country-level separation of party and government, we should experiment with it in some selected areas this year, gain some experiences, work out plans, and carry it out throughout the province step by step when conditions are ripe.

Second, we should deepen enterprise reform. We should first invigorate large and medium-sized enterprises, with the focus on intensifying, improving, supplementing and developing the contracted managerial responsibility system. This should be regarded as a long-term policy, persisted in, and combined with the director (manager) responsibility system, and the system of making directors responsible for the attainment of certain objectives. We should introduce the mechanisms of competition and risk-taking into enterprises. Control over small enterprises may be further relaxed. We should apply actively the system of inviting tenders for management to these enterprises, and may lease or auction them off.

After the contract system is popularized, we should improve the supporting reforms within enterprises, and apply widely the full-load operation method. We should reform the personnel system related to cadres. We

should decentralize the accounting procedures, popularize "in-plant banks," and strengthen the system of management by objectives, and the system of economic responsibility. We should reform the distribution system of enterprises, embody the principle of distribution according to work, and link the wages of staff members and workers to the economic results of enterprises. In short, we should achieve new breakthroughs and new development.

Third, we should further delegate power to lower levels, and decontrol enterprises. Excessive and too rigid control remains to be a defect in our current systems. To embody the principle of "making the grassroots prosper before making the province prosper," and provide favorable conditions for invigorating enterprises, we should further delegate power to lower levels, and decontrol enterprises. The policy research office of the provincial party committee has drafted an idea on delegation of power to cities and counties by the province, and delegation of power to districts by cities. We should hold discussions on it as soon as possible, and put it into effect.

Fourth, we should intensify and make a success of the rural reform. The people's understanding is not unanimous concerning where we should emphasize in the next step of our province's rural reform. Some think that the emphasis should be put on readjusting production setup, and others think that it should be put on solving problems in circulation links. As a matter of fact, it should be put on strengthening the service system, and emancipating productive forces by proceeding from the requirement for benefiting the development of the commodity economy and intensive management, so that peasants can enter the circulation sphere and industrial production. With regard to this work, the agricultural and industrial department has drafted a 20-point regulation, which will be put into effect as soon as possible when opinions are solicited. In many counties of our province, the financial resources come from sugar, dairy products, and flax industries. Systematic processing of the advantageous local raw materials has brought considerable economic results to them. As has been proven in practice, the experience of regarding rural areas as the first production workshop is conducive to linking production, processing, and marketing together, and integrating agriculture, industry, and commerce. We should summarize and popularize the experiences of Yian, Lanxe, and Zhaozhou, and apply it widely throughout the province.

Fifth, we should implement the policy of further relaxing the control over scientific and technical personnel, and turn scientific and technological achievements into immediate productive forces at a quicker pace. The various localities throughout the province have thought favorably about the 14-point regulation on relaxing the control over scientific and technical personnel issued by the province. However, they also raise some questions. We should formulate detailed and specific principles for its implementation, and continue to carry it out to the letter.

Sixth, we should establish all forms of reform experimental areas. In order to further deepen reform, we need to establish all forms of reform experimental areas. 1) We should do a better job in running all trades of forestry of agricultural experimental areas and farms. We should focus the reform of experimental areas on bringing forth new ideas while creating systems and building organizations and allowing breakthroughs in formulating new policies and systems. These experimental areas constitute the "special zone" of Heilongjiang. If we do not allow the least bit of breakthrough in policies, the experimental areas will become meaningless. We should particularly stress the standard of the productive forces in the experimental areas. 2) We should improve the comprehensive experimental areas in cities. It is necessary to implement preferential policies such as the financial and foreign trade policies, in the urban and rural integrated experimental areas in Mudanjiang City. We should perfect the functions of cities, establish all kinds of markets for the essential factors of production, develop an integrated production system that links the cropping, breeding, and processing industries with agriculture, industry, and commerce, and realize a benign economic cycle in the urban and rural areas. 3) We should allow five or six counties that implement individual development plan set by the state to enjoy a certain power and interest and form them into several county-level "small dragons" in our province, in an effort to stimulate our province's entire economic development. 4) We should grasp successfully the development of the Sanjiang Plain, make good use of the central policies, and develop the Sanjiang Plain through public biddings boldly and rationally. 5) We should attend to the issue of dividing the province's economic zone. We may divide it into four parts, namely, the Songnen Plain, Sanjiang Plain, the southeast mountainous areas, and the northwest mountainous areas. We should formulate relevant economic development strategy in line with the different characteristics. Perhaps, this division will be more advantageous to giving guidance to the different levels than the one divided according to the six accumulated temperature zones.

Seventh, we should further develop the urban and rural individual and private economy. We should adopt the policy of actively encouraging the development of individual and private economy in our province and giving a free hand in development while strengthening management over them. As for private enterprises which have employer-employee relations, we should also protect their proper operation and legal rights and interests and should strengthen guidance and supervision over them. In the business area, based on the steady development of traditional trades, we should actively develop the newly growing industries, particularly the family based industries.

The Implementation of the Coastal Economic Development Strategy [subhead]

The economic development strategy for coastal areas put forward by Comrade Ziyang is an overall strategy affecting the whole national economic development. Inevitably, it will also bring fairly big influence to our province's future economic development. It has provided new opportunities and set forth new problems for us. The new opportunities include the following: 1) We are provided with windows and bridges for participating in the great international economic cycle; 2) the implementation of the policy of putting the two ends of production process on the world market and carrying out large-scale imports and exports enables us to have more raw materials and a part of the international market; 3) the transfer of funds, technology, managerial experience, and economic information enables us to have more direct channels for funds, technology, information and managerial channels. At the same time, we should recognize clearly that we have to fight hard to realize these opportunities. This period will inevitably bring us some new problems. For example, during the first implementation of this strategy, our province may witness a temporary outflow of funds, foreign exchange, and trained personnel; and within a certain period of time, the foreign trade structural reform which is a supporting part of this strategy will intensify our province's financial and foreign exchange pressures as well as the risks in foreign trade. Only by paying simultaneous attention to opportunities and problems can we adopt correct principles and develop this economic development strategy actively.

During discussions, some comrades have offered suggestions on opening the province to all directions, and participating in the domestic and international economic cycles. We agree with their views. We should participate actively in the great international cycle, and be willing to use local resources and foreign funds and technology to intensify our development strength. During this major framework, we may summarize our province's strategic principle as "cooperating with areas to the south of the province while opening up the province to areas north of the province, and importing products from the west while exporting products to the east."

Cooperation with the areas to the south of the province includes two aspects. The first is to develop all-directional lateral cooperation with other provinces and regions of the country, mainly the coastal areas, lose no time in seizing the opportunities provided by the coastal areas in their joining the great international circle, link our province's economic development with the advantages of the coastal areas, and establish through various measures the relations between our province and the coastal areas as those between base areas and showcases. The second is to strengthen opening our province to Southeast Asian countries, and capitalist countries and regions, and the economic and trading cooperation with them, further explore the spheres of cooperation with foreign countries, sell our commodities abroad with all possible means, expand export to earn more foreign exchange, and squeeze in the great international circle.

Opening to the areas to the north of the province means to open our province mainly to the Soviet Union, East European, and the Northeast Asian areas.

Import from the West means to import the funds, technology, and advanced managerial expertise from the capitalist countries of the West. In particular, we should pay attention to importing the funds and advanced technology of Japan and other countries and regions through various channels.

Export from the east means to use the funds and technology imported from the west, and our existing production conditions to produce more and better commodities for export.

To realize the above-mentioned idea, we should make a success of the reform of the foreign trade system, which is an important prerequisite. Based on the guidelines of the central authorities for the reform of the foreign system, and the regulations of the State Council, the provincial government has formulated a plan for our province's reform of the foreign trade system. We should put it into effect as soon as possible.

To make rapid progress in the various work of our province this year, change the so-so situation, and ensure that our work is pushed to a new stage, we should improve our work styles and methods conscientiously.

First, we should be braver. Without more courage, we cannot make a greater stride. The provincial party committee and government should take the lead in conducting explorations, achieving progress actively, creating the new, and making breakthroughs more bravely. We should accelerate our pace, never lose any opportunities, and deepen reform and opening up resolutely.

Second, we should emphasize the efforts to deal with concrete matters related to work. Comrades at the grass-roots levels criticize that we "wake up early but get up late," meaning that we lack adequate efforts to carry out our work. From now on, we should have a realistic spirit, be determined to free ourselves from such social activities as welcome and farewell parties, and from the mountains of documents and meetings, go deep into the reality of life to conduct investigations and study, and concentrate our efforts on dealing with concrete matters related to work.

Third, we should pay close attention to typical examples. Without typical examples, there would be no breakthroughs. This year we should be determined to create a number of presentable typical examples. Responsible comrades of the provincial party committee and government in charge of various fronts should have typical examples of their own, and guide their work with the typical examples. We should summarize and popularize conscientiously the experiences already gained, and create a situation in which 1 horse takes the lead, and 10,000 horses gallop ahead.

Fourth, we should be honest in performing our duties. We should develop greatly the fine tradition and work style of pioneering a cause through arduous struggles, and developing all undertakings through hard work and frugality, and should oppose the trend of extravagance and waste. To make the economy flourish, governments should be honest and clean. In the process to deepen reform and opening up, and to greatly develop the commodity economy, we must pay attention to building honest and clean party committees and governments. Only when leading cadres at various levels work selflessly for the public interest, think about the people wholeheartedly, and develop greatly the trend of being honest and integrity can they maintain strong cohesion of party committees and authoritativeness of governments, and lead the masses in building a politically stable and economically flourishing Heilongjiang where the people are rich.

Northwest Region

Gansu Governor Discusses Economic Problems
HK050433 Lanzhou Gansu Provincial Service
in Mandarin 2300 GMT 4 Apr 88

[Excerpts] Listeners, here is a report filed to us last night by our station reporter (Pei Lihua) in Beijing:

[Begin (Pei) recording] Jia Zhijie, a deputy to the First Session of the Seventh NPC and Governor of Gansu, said when interviewed by a reporter of the Hong Kong JINGJI DAOBAO [ECONOMIC REPORTER] that China must pay great attention to supporting actively the development of the raw materials and energy industries and resolve seriously the contradiction between supply and demand in industry, so as to promote the overall development of the national economy. [passage omitted]

He said: On the one hand, each year the state is reducing its investment in the raw materials provinces; on the other hand, the prices of these materials are held under control. The prices of China's domestic crude oil, coal, and nonferrous metals are much lower than on the international market. This inhibits the development of the raw materials and energy industries.

He said: We should act according to the law of value by raising appropriately the prices of raw materials and energy to ensure the development of the primary industries. Only thus can we resolve the contradiction between total supply and demand in industry and bring the entire national economy into a benign cycle.

On the economic development of the northwest, Jia Zhijie said that this region has abundant mineral and hydropower resources. The country's biggest nickel base is in Gansu. The water in the upper reaches of the Huang He from Longyangxia to Qingtongxia flows rapidly as it descends. Here we could build 15 hydroelectricity stations and form a powerful electricity grid.

How can we convert these strong points in resources into strong points in commodity economy as quickly as possible? We can only follow the path of cooperation between east and west China, joint efforts by different areas in west China, and common development through concerted effort. We have consulted Qinghai and Ningxia and proposed the building of a resources exploitation zone on the upper reaches of the Huang He.

He said: Shortage of capital has for a long time affected and constricted the exploitation of the resources in the northwest. We should adopt policies even more open than those in the coastal regions to attract the coastal provinces and foreign countries to establish enterprises as joint ventures, wholly foreign-owned units, and so on in Gansu.

Gansu has great development potential. The improvement of Gansu will have a great effect on implementing the coastal strategy. The coastal economic development strategy is not a regional strategy but a national one. There are great prospects for Gansu in implementing this strategy. [end recording]

Shaanxi Industry Affected by Power Shortage
HK060111 Xian Shaanxi Provincial Service
in Mandarin 0030 GMT 5 Apr 88

[Excerpts] Shaanxi's industrial production situation in the 1st quarter was a mixture of gratifying and worrying news. While there was continued improvement in the main economic results indicators, there were also conspicuous problems caused by shortages of electric power and raw materials.

Shaanxi is suffering a severe power shortage this year. The average daily shortfall in January was 8 million kilowatt hours, and this rose to 9 million in February and March. To ensure the needs of agriculture in fighting drought and the power requirements for festivals and daily life, long periods of restricted power supplies for large areas of industry were inevitable. Despite the difficulties caused by this situation, the province's industrial output was nevertheless better than expected. Total output value of industry at township-level and above by the end of March was 4.88 billion yuan, a rise of 12.5 percent compared with the same period last year. [passage omitted]

However, the demand for rate of increase for the 1st quarter was not met, and the growth was below the national average. There was also unbalanced development between different sectors, which affected the effort to improve economic returns. In particular, the raw materials industry enterprises lacked sufficient work, and this has become a factor for instability in the whole of industry.

The provincial economics commission is currently taking steps to resolve these new problems that have arisen in production.

Xinjiang Leader Urges Mental Emancipation
HK060233 Urumqi Xinjiang Regional Service
in Mandarin 1230 GMT 5 Apr 88

[Text] Comrade Janabil pointed out at the third regional conference on propaganda and education in the legal system: The pace of developing commodity economy in Xinjiang remains slow. A major reason for this is that we have a weak concept of developing commodity economy, our ideological concepts are outdated, people are bound up by the small peasant economy mentality of sticking to old ways, and we are content with the status quo and make no attempt to forge ahead, with the result that we are shortsighted, lack flexibility, and slow in action. This hampers people's efforts and depresses their energy. We must further emancipate our minds in order to implement the 13th party congress guidelines and develop commodity economy.

Janabil said: Following the central authorities' proposal on economic development strategy for the coastal areas, the regional party committee and government have, after cautious study, formulated the following major policy decision: Develop strong-point industries, reform the operational mechanism, establish economic ties, join actively in international competition, invigorate the region's economy, and advance toward the great international market under leadership and in a measured way. However, all good policy decisions and plans have to be translated into reality by people's hard work. If people's minds are not emancipated and they are dilatory and think that this is impossible and that cannot be done, then no plan or strategy can be implemented.

Xinjiang has quite good natural conditions; the region is vast and abounds in resources. However, conditions are by no means products and still less are they commodities. The key factors in economic development are the productive forces, management setup and standards, science and technology levels, and quality of the laborers.

Xinjiang Radio Urges Attracting More Investment
HK060203 Urumqi Xinjiang Regional Service
in Mandarin 1230 GMT 5 Apr 88

[Station reporter's commentary: "Improve the Investment Climate To Draw in More Foreign Investment"]

[Text] Xinjiang has achieved gratifying success in drawing in foreign investment since the 3d Plenary Session of the 11th CPC Central Committee. There are now 27 enterprises with 3 sources of capital involving total foreign investment of \$82 million. The products of some enterprises have entered 13 countries in Europe, America, and Asia, together with the Hong Kong and Macao regions and 21 Chinese provinces and municipalities.

However, if we make a lateral comparison, we will find that the region's work in drawing in foreign investment has not progressed fast at all, and has also started to lag

behind. Citing tax revenue from foreign-related units as an example, the region ranked sixth in the whole country from 1981 to 1986, but last year it slipped to ninth.

There are many factors affecting Xinjiang's attraction of foreign investment. The most important one is that the investment climate is not ideal. There are many discrepancies between Xinjiang and the developed regions as regards the hard climate, that is, communications, telecommunications, electric power, and other items of infrastructure. The practical method now is to concentrate more forces on improving the soft climate and make up for the shortcomings in the hard climate by providing an excellent soft one.

In recent years the Chinese Government has formulated and promulgated many regulations and preferential policies for encouraging foreign businessmen to invest. Many provinces and municipalities have also drawn up specific local preferential policies and matching rules and regulations. However, Xinjiang has not yet developed relatively complete preferential policies and methods set out in the form of law. The urgent need now is to apply fully the powers conferred on us by the law on

autonomy of minority-nationality regions and rapidly formulate, in light of the region's strong points in resources, policies that are more preferential than those in the coastal areas and that will enable foreign investors to obtain more real benefit from investing and running enterprises in our region than in those areas, to as to attract still more foreign investment.

At present we are facing the following situation: On the one hand there is continual expansion of mobile international capital, and certain developed countries, including oil-producing countries, are seeking a stable and good investment climate; on the other hand, the coastal regions of China are implementing the coastal development strategy proposed by Comrade Zhao Ziyang and are drawing up preferential policies to attract foreign investment and develop enterprises with three sources of capital. This is both an opportunity and a challenge. Only by seizing this chance and vigorously improving the investment climate can Xinjiang, an interior region, meet this challenge, narrow the gap between itself and the coastal regions, and lay a sound foundation for great economic development.

'China Reunification League' Established
HK051256 Hong Kong ZHONGGUO TONGXUN SHE
in Chinese 0955 GMT 5 Apr 88

[Report: "Taiwan's 'China Reunification League' Declares Its Founding"]

[Text] Hong Kong, 5 Apr (ZHONGGUO TONGXUN SHE)—According to a report from Taipei, yesterday morning, the "China Reunification League" announced its establishment there. More than 500 people, including those from the KMT [Kuomintang], the Democratic Progressive Party, the Democratic Social Party, and the Youth Party, attended the meeting of this organization and elected Chen Ying-chen chairman of the league.

The constitution of the "reunification league" includes the following main points:

Promoting visits by relatives, sightseeing tours, and visits between the people on both sides of the straits; promoting academic, scientific, technological, cultural, art, and sports exchanges; and promoting direct trade, mutual investment, and post and navigation connections between the two sides.

Prompting the two sides to stop hostile propaganda and reduce hostility and to hold talks for democratic reunification between the two sides.

The rally for the founding of the league was sponsored by Hu Chiu-yuen. He said: Taiwan and the mainland belong to the same nation. Throughout history, China has been split many times, but the country has always been reunified afterward. Now, the policy of allowing people to visit their relatives on the mainland has broken the barriers that have separated the people on the two sides for 40 years. So greater efforts should now be made to promote China's reunification on the basis of peace and democracy.

After the reunification league was founded, elections were held. Chen Ying-chen was elected chairman of the organization. In addition, 21 members were elected to the executive council, and 7 members were elected to the supervisory committee.

Investment in Fujian Increasing
HK051514 Hong Kong WEN WEI PO in Chinese
31 Mar 88 p 3

[Report by WEN WEI PO reporter group: "Fujian Vice Governor You Dexin Speaks on Preferential Policy for Absorbing Taiwanese Capital"]

[Text] Beijing, 30 Mar (WEN WEI PO)—Fujian Vice Governor You Dexin today said Taiwanese businessmen have built more than 50 enterprises in Fujian,

involving a total investment of more than \$50 million; and such investments will keep pouring in. Taiwan's INDEPENDENCE EVENING POST published an article a few days ago saying that Fujian is the most ideal place to import Taiwanese capital. You Dexin said the province will formally promulgate a program of preferential treatment for Taiwanese investors in the form of law.

You Dexin spoke to Chinese and foreign reporters during a press conference held here today. He said: Taiwanese businessmen's investments in Fujian are regarded as domestic investments. But, due to their special status, they can enjoy all the treatment prescribed by economic law relating to foreigners or even more preferential ones. For example, they can enjoy lower tax rates; they have full decision-making power regarding the operation of their enterprises; they can employ and dismiss staff members and workers on their own; all legal profits and income arising from their business, as well as their capital, can be freely remitted out of their bank accounts; and all property bought in Fujian and all profits, interest on deposits, and all legal income are protected by law and can be assigned and transferred.

You Dexin emphasized that Taiwanese investors' civil rights, their personal freedom, the freedom to remit in capital and remit out profits, their property rights over their investments, assets, and enterprises, their profits, and their other legitimate rights are all protected by state laws.

You Dexin disclosed that a total of 22,000 Taiwanese compatriots visited Fujian Province last year, and the number of Taiwanese compatriots visiting the province in the first 2 months of this year alone totaled 4,800, a sharp increase over the same period last year.

You Dexin said Fujian Province has adopted the policy of "security, preference, convenience, flexibility, and package services" toward Taiwanese businessmen making investments in the province to ensure that they can make profits. On the other hand, Fujian will establish small industrial processing zones in Xiamen, Fuzhou, Putian, Zhangzhou, Quanzhou, and three islands including Dongshan to attract Taiwanese businessmen. Last year, Fujian Province gained \$30 million in processing charges from the business of processing with supplied material, drawings, and samples, and assembling with supplied parts. Quanzhou, which has been the most successful in this business, is expected to earn \$100 million in processing charges this year.

Demonstration Held at Parliament, TV Station
HK051032 Hong Kong AFP in English 1019 GMT
5 Apr 88

[Text] Taipei, April 5 (AFP)—Three thousand people Tuesday threw eggs and stones at a television station here to protest what they called its unbalanced coverage of an unauthorized march led by a Taiwan opposition MP, witnesses said.

The protestors later gathered outside Parliament to support opposition MP Chu Kao-cheng who has been charged by the police with leading the March 29 protest which left 20 people injured including eight policemen.

The demonstrators gathered in front of Taiwan Television Enterprise Ltd. (TTV) to condemn its "unbalanced news reports" about the march, witnesses said.

TTV had shown footage of Mr. Chu standing on a van urging hundreds of people to break a police blockade during an opposition campaign for new parliamentary elections.

The protestors demanded an apology from the TV station, which responded by blasting out rock music through two giant speakers on top of its 13-floor building protected by barbed wire and some 100 riot police, witnesses said.

Traffic near TTV was held up for three hours before the demonstrators left, leaving behind piles of garbage which they said described the company's news programs.

One policeman was reported injured and a pedestrian beaten after he complained about the clogged up traffic, police said.

Later, the demonstrators gathered outside parliament to cheer Mr. Chu who, standing atop a van, was hailed as "democracy's warship" and given a plate by two woman farmers "for his efforts in pushing for democracy."

Mr. Chu, 34, a key member of the opposition Democratic Progressive Party (DPP), vowed to stage more street protests if police pursued the charges against him.

"We shall meet all challenges...and we are willing to shed blood in the quest for democracy," Mr. Chu said before his supporters, mostly from his central Taiwan constituency, carried him into the parliament building.

They called for more political reform and specifically attacked two legislators of the ruling Kuomintang (Nationalist) [KMT] Party who had criticized Mr. Chu for ignoring the law and failing to restrain people during the march.

The police filed formal charges against Mr. Chu last week for violating demonstration laws, interfering with police duty and assault while leading the unauthorized march.

The DPP has called for more political reforms including new parliamentary elections to replace elderly KMT MP's and public elections for the posts of Taiwan governor, and Taipei and Kaohsiung city mayors.

Some 85 per cent of the current 1,200 members in the tri-cameral congress were elected from mainland constituencies in 1947 and 1948.

Congress comprises the law-making Legislative Yuan (Parliament), the National Assembly which elects the country's president, and the Control Yuan, Taiwan's highest watchdog body.

Minister Urges Talks To Solve U.S. Trade Dispute
OW060451 Taipei CNA in English 0252 GMT 6 Apr 88

[Text] Taipei, April 6 (CNA)—Vice Foreign Minister John H. Chang said Tuesday that relations between the Republic of China [ROC] and the United States are stable and harmonious, and that he believes their trade disputes would be solved through rational negotiations.

Speaking at a seminar on the Taiwan Relations Act and ROC-U.S. relations, Chang predicted good prospects for the development of the ROC-U.S. ties.

He pointed out that, even though the two nations severed their diplomatic ties in 1979, substantive relations between them have been growing steadily, with bilateral trade increasing from U.S.\$9 billion then to U.S.\$33 billion in 1987 and the number of agreements between the two countries rising from 51 to 92.

Although both the ROC and the U.S. are being troubled by the trade imbalance between them, their disputes will be resolved through rational negotiations, Chang said.

Prof. John Copper of Rhodes College in the U.S. said at the seminar that the Chinese Communists would try their utmost to weaken the validity of the Taiwan Relations Act [TRA] because the TRA legal status is higher than any of the joint communiques signed between Peiping and Washington.

The best way to win U.S. congressional support for TRA is for the ROC to pursue greater progress both politically and economically, Copper suggested.

Copper shared the views of many other scholars that it is impossible for the U.S. Government to defy TRA's commitment to the ROC under Chinese Communist pressure.

However, they said the ROC should try to establish a self-sufficient defense industry to reduce its reliance on the U.S. so as to safeguard its own national security.

More than 60 local and foreign scholars and business leaders are attending the 2-day seminar, which opened Tuesday morning at the National Chengchi University's Institute of International Relations.

Premier Yu Discusses 1989 Defense Budget
OW050845 Taiwan CHINA POST in English
31 Mar 88 p 16

[Text] Defense spending of NT[New Taiwan]\$191.4 billion will take up 33.7 percent of the nation's fiscal 1989 budget, Premier Yu Kuo-hua said yesterday.

In a report to the Legislative Yuan, Yu said the spending, which represents the largest share of the overall budget, will be devoted to manufacturing advanced warplanes and a second generation of submarines and to buying military equipment.

Yu said the nation cannot afford to disarm itself at a time when Communist China repeatedly threatens to invade Taiwan, making it necessary for the ROC [Republic of China] to develop an independent defense capability.

Yu indicated that spending for environmental protection and social welfare will rank second at NT\$101.6 billion or 17.9 percent of the overall budget.

According to the premier, the government will promote domestic consumption and investment to maintain economic growth in the next fiscal year under mounting protectionist sentiment abroad and the appreciation of the New Taiwan dollar.

Defense Ministry Calls for Self-Defense Vigilance
OW060555 Taipei CNA in English 0248 GMT 6 Apr 88

[Text] Taipei, April 6 (CNA)—The Ministry of National Defense called on the general public Tuesday to heighten vigilance against potential communist attack amidst reports that the Chinese Communists have recently intensified their preparations to invade Taiwan.

Military spokesman Maj. Gen. Chang Hui-yuan told the press that the Chinese Communists, in an attempt to probe the Republic of China's [ROC] coastal defenses, have gathered nearly 50,000 documents on the subject from August through October of last year.

Moreover, Communist Chinese fishing boats have been sent in large numbers to intrude into ROC territorial waters to spy on ROC coastal defenses following the ROC's lifting of its Emergency Decree last July 15, Chang said.

With the ROC as a mock enemy, the Chinese Communists staged large-scale amphibious war games on Hainan Island in the South China Sea late last year.

Under cover of catching eels, about 3,000 Chinese Communist fishing boats mobilized in the mouth of the Min River to launch a sea maneuver early this year.

Another war game was conducted on March 10-15 on the Choushan Islands in the East China Sea during which guided missiles were fired, Chang said.

These actions all clearly indicate that the Chinese Communists are prepared to invade Taiwan at any moment, and that all the people of the nation should increase their vigilance and take appropriate precautions, he said.

President Meets U.S., Japanese Legislators
OW060437 Taipei CNA in English 0232 GMT
6 Apr 88

[Text] Taipei, April 6 (CNA)—The Republic of China [ROC] Government will never change its "no negotiations, no contacts, and no compromises" policy towards the Chinese Communist regime so long as Peiping refuses to renounce its intention of taking Taiwan by force, President Li Teng-hui said Tuesday.

President Li made his statement while receiving U.S. Senator Jake Garn and his wife at the Presidential Office.

During the meeting, Sen. Garn relayed President Ronald Reagan's greetings to President Li and expressed his admiration for the progress and prosperity the ROC has achieved in recent years.

President Li, in return, asked the visiting Senator to convey his hearty thanks and greetings to President Reagan.

President Li told Garn that, despite a lack of diplomatic relations, the ROC and the U.S. have long maintained cordial ties, and that he hopes the two countries will further strengthen scientific, technological, and investment cooperation.

Although the ROC Government has allowed its residents to visit their relatives on the Chinese mainland, it does not mean the nation has revised its policies towards the Peiping regime, Li noted.

Garn said he agreed with the measures the ROC is currently taking for national security purposes and promised, in his capacity as a friend of the ROC, to work hard to safeguard its interests.

Those present during the meeting included Shen Chang-huan, presidential secretary general, and Vice Foreign Minister John H. Chang.

President Li Teng-hui later received Japanese Dietman Rysaku Sasaki at the Presidential Office and discussed with him economic and social developments in the two nations.

Li told Sasaki that, while the ROC pursues economic development, it has been seeking to distribute wealth equitably.

Hong Kong

PRC Concerned About 'Meddling', Investments
HK060839 Hong Kong SOUTH CHINA MORNING POST in English 6 Apr 88 p 7

[By Terry Cheng in Beijing]

[Text] Beijing would look into the question of whether it was meddling too much in Hong Kong affairs, the Acting Prime Minister, Mr Li Peng, told a Hong Kong publisher yesterday.

Mr Li asked Mr Xu Simin to tell the people of Hong Kong Beijing was sincerely and whole-heartedly committed to ensuring the prosperity and stability of the territory.

"If Hong Kong is not stable and prosperous it will not do any good to the mainland's four modernisations."

The meeting follows sharp criticism of Chinese investment in Hong Kong by Mr Xu, publisher of the monthly MIRROR and a member of the Chinese People's Political Consultative Conference.

Mr Xu said on Monday Chinese companies did not have overall plans and their goals were not clear.

Yesterday's 50-minute meeting in Zhongnanhai—the enclave for the Communist Party Centre—also dealt with a controversy over certain shares of the Chiyu Bank of Hong Kong.

When the bank was founded the major shareholder was the Jimei College, formed by the renowned overseas Chinese businessman, Mr Tan Kai-ki. During the Cultural Revolution the Bank of China became its major shareholder.

After listening to arguments between Mr Xu and the head of the Bank of China, Mr Wang Dexian, who had been summoned Mr Li, said the Organisation Department of the Communist Party Central Committee and the Overseas Chinese Affairs Office under the State Council as well as the Bank of China should resolve the matter as soon as possible.

Delegation of Local Scholars Meets Ji Pengfei
OW051743 Beijing XINHUA in English 1325 GMT 5 Apr 88

[Text] Beijing, April 5 (XINHUA)—Ji Pengfei, Chinese state councillor and director of the Hong Kong and Macao Affairs Office under the State Council, met with a delegation of scholars from Hong Kong here this afternoon.

The 25-member delegation, led by Leung Pingchung, professor at the Chinese University of Hong Kong, arrived here on April 1 at the invitation of the Hong Kong branch of the XINHUA NEWS AGENCY.

The guests will visit the Chinese Academy of Sciences, the Chinese Academy of Social Sciences and the Nuclear Energy Research Institute.

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DATE FILMED

April 7, 1988

